

# HEALTH AND HUMAN SERVICES

Health and human services programs provide medical, dental, mental health, and social services to California's most needy citizens. For the 2003-04 fiscal year, expenditures for all Health and Human Services Agency budgets total \$61.4 billion in combined State and federal funds. This includes expenditures for approximately 31,220 personnel years.

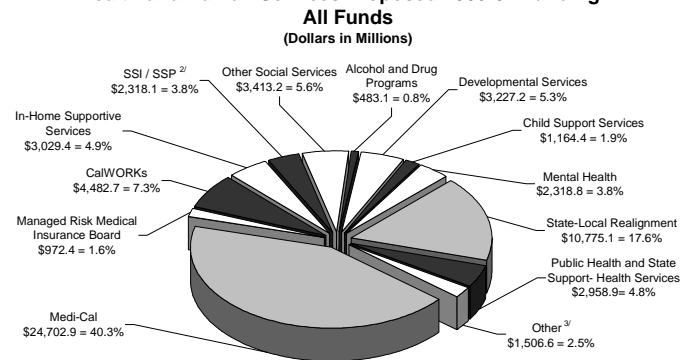
Figure HHS-1 displays expenditures for each major program area, and Figure HHS-2 displays program caseloads.

## Department of Health Services

The mission of the Department of Health Services (DHS) is to protect and improve the health of all Californians. To accomplish this, the DHS administers a broad range of public health programs and the California Medical Assistance Program—Medi-Cal. In 2003-04, the DHS budget totals \$27.7 billion (\$7.6 billion General Fund) and 5,674 personnel years. Funding for 2003-04 reflects a General Fund decrease of \$3 billion compared to the 2002 Budget Act.

**FIGURE HHS-1**

### Health and Human Services Proposed 2003-04 Funding <sup>1/</sup>



<sup>1/</sup> Totals \$61,352.8 million for support and local assistance. This figure includes reimbursements of \$6,138.7 million and excludes county funds that do not flow through the State budget.

<sup>2/</sup> Supplemental Security Income/State Supplementary Payment

<sup>3/</sup> Includes Health and Human Services Agency, Department and Commission on Aging, Department of Rehabilitation, Health and Human Services Agency Data Center, Office of Statewide Health Planning and Development, State Independent Living Council, California Children and Families Commission, State Council on Developmental Disabilities, and California Medical Assistance Commission.

## Public Health

The DHS administers numerous public health programs to prevent disease and premature death and to enhance the health and well-being of all Californians. In addition, the DHS works to prevent and control chronic diseases such as Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS), cancer, cardiovascular disease, and environmental and occupational diseases. Further, the



FIGURE HHS-2

## Major Health and Human Services Program Caseloads

	2002-03 Revised	2003-04 Estimate	Change
California Children's Services <sup>a/</sup> (treatment of physical handicaps)	172,340	178,380	6,040
Medi-Cal Certified Eligible	6,477,300	6,268,200	-209,100
CalWORKs			
Avg. Monthly persons served	1,416,000	1,342,000	-74,000
Avg. Monthly cases	511,000	514,000	3,000
Foster Care Trend	89,400	91,600	2,200
SSI/SSP (support for aged, blind, and disabled)	1,126,400	1,133,800	7,400
In-Home Supportive Services	297,300	320,600	23,300
Child Welfare Services <sup>b/</sup>	174,400	170,600	-3,800
Non-Assistance Food Stamps	338,400	381,400	43,000
State Hospitals			
Mental health clients <sup>c/</sup>	4,786	4,874	88
Developmentally disabled clients <sup>c/</sup>	3,667	3,596	-71
Community Developmentally Disabled Services			
Regional Centers	183,540	193,103	9,563
Vocational Rehabilitation	80,851	80,851	0
Alcohol and Drug Programs <sup>d/</sup>	352,330	71,300	-281,030
Healthy Families Program <sup>e/</sup> Children	668,500	768,200	99,700

<sup>a/</sup> Represents unduplicated quarterly caseload in the CCS Program.

<sup>b/</sup> Represents Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement service areas on a monthly basis. Due to transfers between each service area, cases may be reflected in more than one service area.

<sup>c/</sup> Represents the year-end population. Includes population at California Medical Facility, Vacaville.

<sup>d/</sup> Beginning in 2003-04, Alcohol and Drug Programs will be realigned for local control. The 2003-04 figure represents drug Medi-Cal caseload only.

<sup>e/</sup> Represents the year-end population.

DHS protects the public from consuming unsafe drinking water, manages and regulates the safety of food, drugs, medical devices, and radiation sources, and operates vital public health laboratories that support these activities and programs. Expenditures for all public health programs and State operations total \$2.9 billion (\$452.3 million General Fund) in 2003-04. This represents a decrease of \$219 million, or 32.6 percent below General Fund expenditures in the 2002 Budget Act.

## Major Augmentations

The Governor's Budget includes the following major funding augmentations:

**Breast Cancer**—An increase of \$1.7 million federal funds in the Breast and Cervical Cancer Control Program (BCCCCP) to reflect additional federal grant funding. The Proposition 99 funding support for the BCCCCP was reduced by a similar amount, to maintain program funding at \$33.3 million in 2003-04. In addition, \$4.8 million was shifted from state operations to local assistance to align funding with new State regulations on contracting.

**Women, Infants, and Children's (WIC) Supplemental Nutrition Program**—An additional \$15.5 million in federal funds in the current year and \$84.4 million in the budget year for the WIC Supplemental Nutrition program. This increase will allow 24,000 additional low-income pregnant and breastfeeding women, infants, and children less than five years of age to receive supplemental food, nutritional education, and referrals to health and social services.

**Proposition 50**—\$112.3 million from Proposition 50, the Water Security, Clean Drinking Water, Coastal, and Beach Protection Act of 2002, for the DHS to facilitate various statewide water security improvements and to provide safe drinking water grants and loans primarily targeted at Southern California water agencies to help them reduce Colorado River water use. (See Natural Resources section.)

**Public Health Caseload Program Efficiencies and Drug Rebate**—\$439,000 General Fund, \$282,000 federal funds, and 8 posi-



tions (7.3 personnel years) to provide staff and contract funds to provide client and provider information to contain rising expenditures in the Genetically Handicapped Persons Program (GHPP), and to develop, implement, and operate a drug rebate program for the California Children's Services (CCS) and the GHPP. Implementation of the rebate program will result in an additional \$3.6 million General Fund savings in 2003-04.

**Asthma Initiative**—A continuation of \$2.8 million in reimbursements and four limited-term positions (3.7 personnel years) in 2003-04 for the Childhood Asthma Initiative. The initiative strives to decrease asthma morbidity and improve the quality of life of children with asthma who are less than five years old and their families.

**Low-Level Radioactive Waste**—An additional \$1.7 million Radiation Control Fund to meet the requirements of Chapters 891 and 513, Statutes of 2002, which require enhanced monitoring and oversight of the storage and disposal of low-level radioactive waste (LLRW). Specifically, generators of LLRW will provide detailed information to the DHS concerning all LLRW sent to disposal facilities, stored for disposal by decay, or stored for future disposal. The DHS will develop LLRW disposal facility regulations, provide outreach to industry, maintain specified information, and prepare an annual summary report.

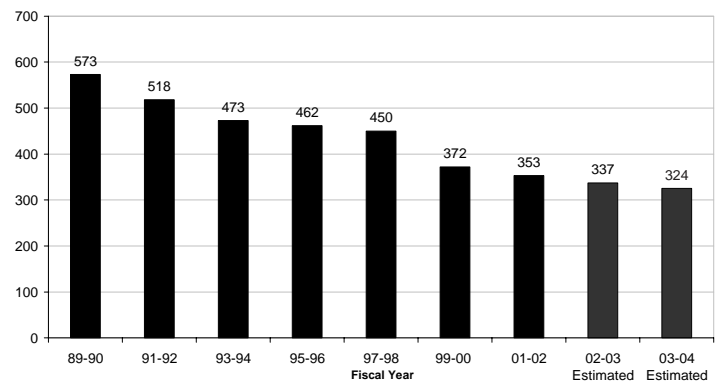
## Proposition 99 Expenditures

Californians continue to use fewer tobacco products each year, in part as a result of the effectiveness of the Tobacco Tax and Health

Protection Act of 1988 (Proposition 99). As a result, estimated revenues for 2003-04 will decline \$15.7 million to \$324.5 million from the 2002 Budget Act level (see Figure HHS-3.) With other revenue adjustments (carryover, interest, and Proposition 117 transfers), 2003-04 total resources will be \$27.2 million below the 2002 Budget Act level, or \$338.4 million, which continues the year-to-year decline in Proposition 99

**FIGURE HHS-3**

**Cigarette and Tobacco Products Surtax Fund  
Proposition 99 Revenues  
1989 to 2004  
(Dollars in Millions)**



resources. In addition, the Access for Infants and Mothers (AIM) program is expected to increase by 41 percent, increasing Proposition 99 expenditures by \$26.8 million. As a result of declining revenues and higher expenditures in the AIM program, Proposition 99 funding to other health programs is decreased as follows:

**2002-03 Expenditures**—The Governor's Budget proposes expenditures of \$176.1 million to continue the base level of services for all DHS programs, except for decreases of \$1.1 million in the Expanded Access for Primary Care (EAPC) program



and \$12.4 million in the California Healthcare for Indigents Program (CHIP), and an increase of \$10.9 million for AIM.

**2003-04 Expenditures**—The Governor's Budget proposes expenditures of \$135.4 million for DHS programs. Due to lower revenues and higher AIM program costs, funding for health programs decline by an average of 9.2 percent, with three exceptions—the Comprehensive Perinatal Outreach and the Breast Cancer Early Detection programs, and State administration. The Comprehensive Perinatal Outreach program, a discretionary program, was eliminated consistent with other outreach reductions, resulting in a savings of \$1.3 million. The Breast Cancer Early Detection Program was reduced by 10 percent, or \$1.7 million, to match a similar increase in federal grant funding. The Program will remain at its current total funding of \$33.3 million in 2003-04. State administration was reduced by 14 percent, or \$1.4 million, in recognition of smaller programs requiring less administration. In addition, \$58.1 million for EAPC, the CHIP, and County Health Services will be provided to counties as part of the Healthy Communities realignment proposal (see Preserving Critical Programs section).

- ◆ The Governor's Budget proposes a \$16.1 million anti-tobacco media campaign in 2003-04 as part of the total \$68.3 million Proposition 99-funded effort to reduce tobacco use.

Proposition 99 revenues and expenditures for 2001-02, 2002-03, and 2003-04 are reflected in Figures HHS-4 thru HHS-6.

## Other Public Health Adjustments

**HIV/AIDS Program Reductions and Establishment of Co-payments**—The Governor's Budget maintains the Administration's commitment to fighting the AIDS epidemic by providing \$293.5 million (\$124.8 million General Fund) for HIV/AIDS prevention, education, care, and treatment programs. The Governor's Budget proposes an increase of \$8.3 million General Fund for the AIDS Drug Assistance Program (ADAP). The Governor's Budget also proposes to impose a drug co-payment on ADAP recipients with incomes between 200 and 400 percent of the federal poverty level (FPL). Recipients with average annual incomes between \$21,643 and \$30,233 will pay approximately \$1,299 to \$1,814 annually for the life-sustaining drugs provided by ADAP.

**Consolidation of Domestic Violence Shelter Programs**—The Budget proposes to consolidate all of the domestic violence shelter programs within one agency. As a result, the Budget proposes the transfer of existing domestic violence shelter programs in the Office of Criminal Justice Planning (OCJP) to the DHS, shifting \$730,000 General Fund and \$9.1 million federal funds from the OCJP to the DHS. This will provide \$32.5 million (\$22.5 million General Fund, \$9.1 million federal funds, and \$900,000 special funds) in domestic violence funding in 2003-04, which will be allocated to local shelters.

**Consolidation of Emergency Medical Services Authority (EMSA) into the DHS**—The Governor's Budget proposes the consolidation of the EMSA into the DHS in order to provide program savings and greater efficiencies. The DHS will now



FIGURE HHS-4

## Cigarette and Tobacco Products Surtax Fund (Proposition 99)

## Revenues and Expenditures - 2001-02 Actual

(Dollars in Thousands)

Revenues:	Board of Equalization	Health Education Account	Hospital Services Account	Physicians' Services Account	Research Account	Public Resources Account	Unallocated Account	Total
Beginning Balance	-	\$69,273	\$1,044	\$288	\$56,334	\$4,757	\$26,281	\$157,977
Prior Year Adjustment	-	-29,018	80	-7	-46,096	-3,193	-256	-78,490
Revenues	\$1,545	66,504	116,383	33,252	16,626	16,626	83,130	334,066
Proposition 10 Backfill	-	15,900	-	-	4,000	-	-	19,900
Interest	-	3,558	298	81	2,325	22	1,309	7,593
<b>Total Revenues</b>	<b>\$1,545</b>	<b>\$126,217</b>	<b>\$117,805</b>	<b>\$33,614</b>	<b>\$33,189</b>	<b>\$18,212</b>	<b>\$110,464</b>	<b>\$441,046</b>
<b>Transfers:</b>								
Habitat Conservation Fund	-	-	-	-	-	-	-\$8,444	-\$8,444
<b>Net Resources</b>	<b>\$1,545</b>	<b>\$126,217</b>	<b>\$117,805</b>	<b>\$33,614</b>	<b>\$33,189</b>	<b>\$18,212</b>	<b>\$102,020</b>	<b>\$432,602</b>
<b>Expenditures:</b>								
Department of Health Services	-	\$84,928	\$71,277	\$6,372	\$4,930	-	\$58,649	\$226,156
Department of Education	-	28,064	-	-	-	-	-	28,064
University of California	-	-	-	-	19,434	-	-	19,434
California Conservation Corps	-	-	-	-	-	\$267	-	267
Forestry and Fire Protection	-	-	-	-	-	333	-	333
Fish and Game	-	-	-	-	-	1,578	-	1,578
State Coastal Conservancy	-	-	-	-	-	147	-	147
Parks and Recreation	-	-	-	-	-	13,690	-	13,690
Water Resources Control Board	-	-	-	-	-	1,769	-	1,769
Board of Equalization	\$1,545	-	-	-	-	-	-	1,545
Office of Statewide Health Planning	-	-	-	-	-	-	1,032	1,032
Access for Infants and Mothers	-	-	24,300	13,313	-	-	1,000	38,613
Major Risk Medical Insurance	-	-	24,393	14,607	-	-	25,571	64,571
Direct Pro Rata Charges	-	488	72	-	-	-	-	560
<b>Total Expenditures</b>	<b>\$1,545</b>	<b>\$113,480</b>	<b>\$120,042</b>	<b>\$34,292</b>	<b>\$24,364</b>	<b>\$17,784</b>	<b>\$86,252</b>	<b>\$397,759</b>
<b>Reserve</b>	<b>\$0</b>	<b>\$12,737</b>	<b>-\$2,237</b>	<b>-\$678</b>	<b>\$8,825</b>	<b>\$428</b>	<b>\$15,768</b>	<b>\$34,843</b>

FIGURE HHS-5

## Cigarette and Tobacco Products Surtax Fund (Proposition 99)

## Revenues and Expenditures - 2002-03 Estimated

(Dollars in Thousands)

Revenues:	Board of Equalization	Health Education Account	Hospital Services Account	Physicians' Services Account	Research Account	Public Resources Account	Unallocated Account	Total
Beginning Balance	-	\$12,737	-\$2,237	-\$678	\$8,825	\$420	\$15,768	\$34,835
Prior Year Adjustment	-	-	-	-	-	-	-	-
Revenues	\$2,105	63,979	111,963	31,990	15,995	15,995	79,972	321,999
Proposition 10 Backfill	-	13,400	-	-	3,400	-	-	16,800
Interest	-	3,558	298	81	2,325	22	1,309	7,593
<b>Total Revenues</b>	<b>\$2,105</b>	<b>\$93,674</b>	<b>\$110,024</b>	<b>\$31,393</b>	<b>\$30,545</b>	<b>\$16,437</b>	<b>\$97,049</b>	<b>\$381,227</b>
<b>Transfers:</b>								
Habitat Conservation Fund	-	-	-	-	-	-	-\$8,128	-\$8,128
<b>Net Resources</b>	<b>\$2,105</b>	<b>\$93,674</b>	<b>\$110,024</b>	<b>\$31,393</b>	<b>\$30,545</b>	<b>\$16,437</b>	<b>\$88,921</b>	<b>\$373,099</b>
<b>Expenditures:</b>								
Department of Health Services	-	\$60,356	\$54,093	\$2,910	\$4,930	-	\$53,842	\$176,131
Department of Education	-	27,996	-	-	-	-	-	27,996
University of California	-	-	-	-	19,434	-	-	19,434
California Conservation Corps	-	-	-	-	-	\$277	-	277
Forestry and Fire Protection	-	-	-	-	-	389	-	389
Fish and Game	-	-	-	-	-	-	-	-
State Coastal Conservancy	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	13,311	-	13,311
Water Resources Control Board	-	-	-	-	-	2,125	-	2,125
Board of Equalization	\$2,105	-	-	-	-	-	-	2,105
Office of Statewide Health Planning	-	-	-	-	-	-	1,047	1,047
Access for Infants and Mothers	-	-	24,393	14,607	-	-	31,682	70,682
Major Risk Medical Insurance	-	-	30,283	13,799	-	-	1,000	45,082
Direct Pro Rata Charges	-	184	148	17	149	-	225	723
<b>Total Expenditures</b>	<b>\$2,105</b>	<b>\$88,536</b>	<b>\$108,917</b>	<b>\$31,333</b>	<b>\$24,513</b>	<b>\$16,102</b>	<b>\$87,796</b>	<b>\$359,302</b>
<b>Reserve</b>	<b>\$0</b>	<b>\$5,138</b>	<b>\$1,107</b>	<b>\$60</b>	<b>\$6,032</b>	<b>\$335</b>	<b>\$1,125</b>	<b>\$13,797</b>



FIGURE HHS-6

**Cigarette and Tobacco Products Surtax Fund (Proposition 99)**  
**Revenues and Expenditures - 2003-04 Estimated**  
(Dollars in Thousands)

Revenues:	Board of Equalization	Health Education Account	Hospital Services Account	Physicians' Services Account	Research Account	Public Resources Account	Unallocated Account	Total
Beginning Balance	-	\$5,138	\$1,107	\$60	\$6,032	\$329	\$1,125	\$13,791
Prior Year Adjustment	-	-	-	-	-	-	-	-
Revenues	\$2,320	61,536	107,688	30,768	15,384	15,384	76,920	310,000
Proposition 10 Backfill	-	13,400	-	-	3,400	-	-	16,800
Interest	-	3,558	298	81	2,325	22	1,309	7,593
<b>Total Revenues</b>	<b>\$2,320</b>	<b>\$83,632</b>	<b>\$109,093</b>	<b>\$30,909</b>	<b>\$27,141</b>	<b>\$15,735</b>	<b>\$79,354</b>	<b>\$348,184</b>
<b>Transfers:</b>								
Habitat Conservation Fund	-	-	-	-	-	-	-\$7,823	-\$7,823
<b>Net Resources</b>	<b>\$2,320</b>	<b>\$83,632</b>	<b>\$109,093</b>	<b>\$30,909</b>	<b>\$27,141</b>	<b>\$15,735</b>	<b>\$71,531</b>	<b>\$340,361</b>
<b>Expenditures:</b>								
Department of Health Services	-	\$53,788	\$0	\$0	\$4,738	-	\$18,860	\$77,386
Department of Education	-	27,996	-	-	-	-	-	27,996
University of California	-	-	-	-	19,434	-	-	19,434
California Conservation Corps	-	-	-	-	-	\$285	-	285
Forestry and Fire Protection	-	-	-	-	-	384	-	384
Fish and Game	-	-	-	-	-	775	-	775
State Coastal Conservancy	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	11,747	-	11,747
Water Resources Control Board	-	-	-	-	-	2,120	-	2,120
Board of Equalization	\$2,320	-	-	-	-	-	-	2,320
Office of Statewide Health Plannin	-	-	-	-	-	-	1,047	1,047
Access for Infants and Mothers	-	-	24,393	14,607	-	-	27,204	66,204
Major Risk Medical Insurance	-	-	50,660	13,768	-	-	1,000	65,428
Enhanced State-Local Realignment	-	-	33,206	2,469	-	-	22,376	58,051
Direct Pro Rata Charges	-	175	153	14	-	2	177	521
<b>Total Expenditures</b>	<b>\$2,320</b>	<b>\$81,959</b>	<b>\$108,412</b>	<b>\$30,858</b>	<b>\$24,172</b>	<b>\$15,313</b>	<b>\$70,664</b>	<b>\$333,698</b>
<b>Reserve</b>	<b>\$0</b>	<b>\$1,673</b>	<b>\$681</b>	<b>\$51</b>	<b>\$2,969</b>	<b>\$422</b>	<b>\$867</b>	<b>\$6,663</b>

provide the statewide coordination of emergency medical services (EMS), regulate the education, training, and certification of EMS personnel, develop guidelines for local emergency medical services, and coordinate the State's medical response to any disaster.

**Cancer Research**—The Administration proposed to reduce this program in December 2002 for savings of \$6.3 million in 2002-03. The Governor's Budget further proposes to eliminate State-funded cancer research as existing research contracts expire. This will capture savings of \$12.5 million in 2003-04 and annually thereafter. State-funded research comprises

only a small proportion of all the cancer research performed in California, the country, and internationally.

**Prostate Cancer**—Due to lower than anticipated participation in the Prostate Cancer Treatment Program, the Administration proposed to reduce funding for this program in December 2002 for savings of \$10 million in 2002-03. The Governor's Budget proposes to reduce funding by another \$5 million for a total reduction of \$15 million in the budget year.

**Outreach and Media Activities**—The Governor's Budget eliminates a number of outreach and media campaigns to preserve General Fund resources for treatment programs and other direct services, result-





ing in savings of \$11.8 million. Most of the outreach information is available through other resources, including the news media, federal programs, public service announcements, and on-line information maintained by the DHS.

#### **Healthy Communities Realignment—**

Given the State's current fiscal environment and a desire to maintain important public health programs, the Governor's Budget proposes to transfer program responsibility and funding for certain public health programs to the counties. These programs include:

- ◆ Adolescent Family Life Program
- ◆ Black Infant Health Program
- ◆ Indian Health Program
- ◆ Local Health Department Maternal and Child Health Program
- ◆ Expanded Access to Primary Care
- ◆ Grants-in-Aid for Clinics Program
- ◆ Rural Health Services Development Program
- ◆ Seasonal Agricultural and Migratory Workers Program
- ◆ County Health Managed Care Program
- ◆ California Health Care for Indigents Program
- ◆ Rural Health Services Program
- ◆ Public Health Subvention

These programs will continue to draw matching federal funds and \$58.1 million in Proposition 99 funds. The cost of the

programs being realigned is approximately \$143.4 million (\$66.6 million General Fund). While maintaining the same funding level in 2003-04, the shift of funding and program responsibility will allow local governments to determine priorities and needs. Without realignment of these programs, significant General Fund reductions would need to be considered.

### **Medi-Cal**

Medi-Cal, California's Medicaid program, is a health care entitlement for low-income individuals and families who receive public assistance or lack health care coverage. Federal law requires Medi-Cal to provide a set of basic services such as doctor visits, laboratory tests, X-rays, hospital inpatient and outpatient care, and skilled nursing care. In addition, federal matching funds are available if states choose to provide any of 34 optional benefits. These services are delivered by a wide range of public and private providers and facilities. Providers are reimbursed by the traditional fee-for-service

**FIGURE HHS-7**

**Average Monthly Medi-Cal Eligibles as a Percentage of California Population**

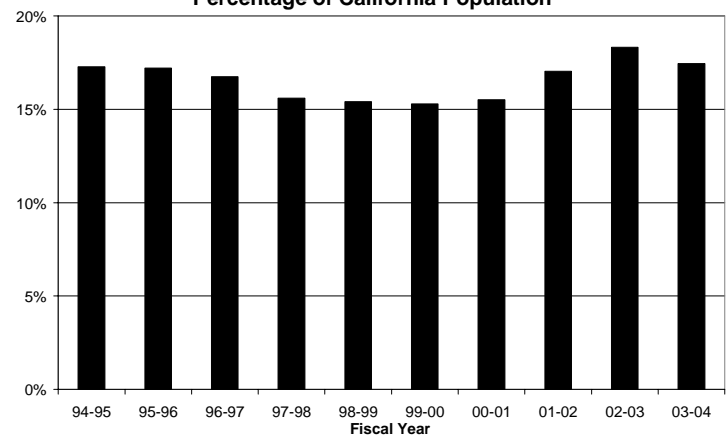
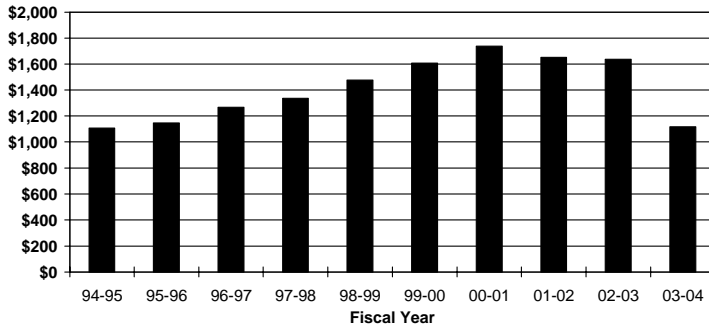


FIGURE HHS-8

### Annual Medi-Cal General Fund Cost Per Average Monthly Eligible



method and by specific monthly capitated payments under managed care. Medi-Cal is a key component of California's health care delivery system, serving 17.3 percent of Californians (see Figure HHS-7).

**2002-03 Expenditures**—Medi-Cal expenditures are expected to be \$29.2 billion (\$10.6 billion General Fund), a General Fund increase of 8.5 percent over the prior year. General Fund expenditures are \$755.7 million above the 2002 Budget Act, an increase of 7.7 percent, due to caseload

increases. Figure HHS-8 displays annual General Fund cost per average monthly eligible.

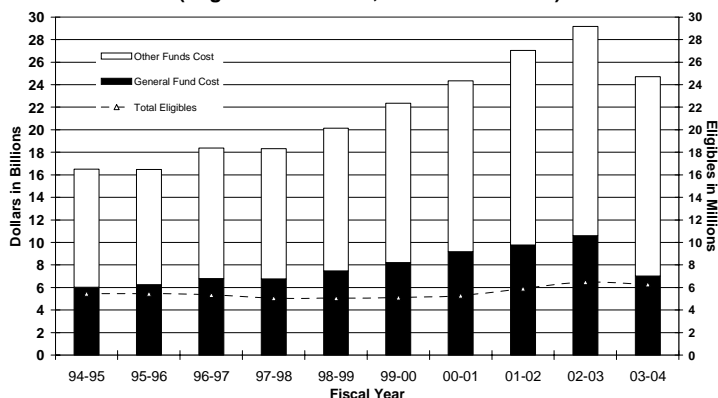
**2003-04 Expenditures**—Medi-Cal spending is projected to be \$24.7 billion (\$7 billion General Fund), a General Fund decrease of \$2.8 billion, or 28.9 percent, below the 2002 Budget Act. The General Fund decrease is due largely to the Administration's realignment of \$3 billion of Medi-Cal expenditures to the counties. Average monthly caseload is expected to decrease in 2003-04, by approximately 209,000, or 3.2 percent, to 6,268,200 million eligibles. Figure HHS-9 displays year-to-year comparisons of Medi-Cal caseload and costs.

Some programs, such as mental health services, in departments other than the DHS, are also eligible for federal Medicaid reimbursement. The federal funding for these programs is included in Medi-Cal expenditure totals, but State and local matching funds typically appear in the budgets for the other State agencies or local governments. Consequently, nonfederal matching funds of over \$3.2 billion for those programs are not included in the Medi-Cal program costs.

**Caseload**—Currently, about 6.5 million people, just over one in five Californians, qualify for Medi-Cal in any given month. The number of people eligible for Medi-Cal in 2002-03 is now estimated to be about 9.5 percent above the 2001 Budget Act. Caseload is expected to decrease by 3.2 percent below the 2002 Budget Act in 2003-04. This overall decrease compares to

FIGURE HHS-9

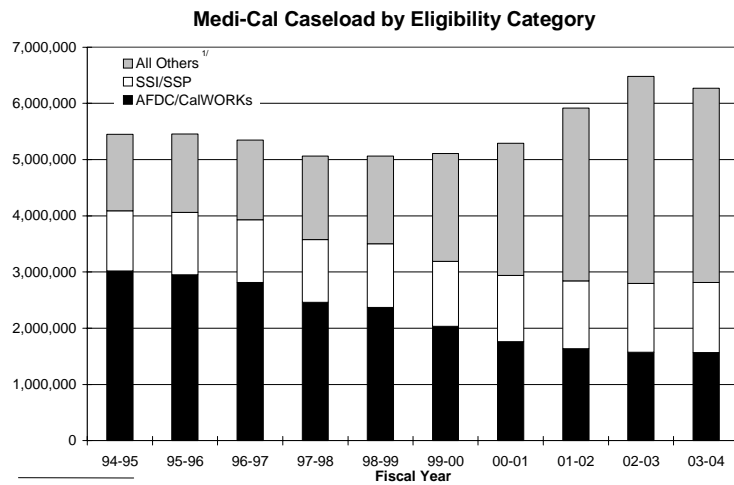
### Medi-Cal Caseload and Costs, 1994-95 through 2003-04 (Eligibles in Millions, Dollars in Billions)



Note: The large non-General Fund portion of total expenditures reflects disproportionate share and voluntary governmental transfers for hospitals, as well as federal Medicaid funds which flow through the DHS budget to other departments.





**FIGURE HHS-10**

an expected 3.6 percent increase in the state's population for the same two-year period (see Figure HHS-10).

The number of people made eligible for Medi-Cal through their eligibility for Public Assistance cash grants has been declining since 1995. These eligibles represent

45 percent of all Medi-Cal eligibles. Overall caseload is increasing, and the portion comprised of aged, blind, and disabled beneficiaries is expected to increase by 6.8 percent, to 1,547,000 beneficiaries in 2002-03.

Figure HHS-11 shows federal data from 2001 (the most recent information available from the Centers for Medicare and Medicaid Services) for the ten most populous states.

By percentage of state population, California served about 15.3 percent of state

residents, exceeded only by New York. California also has one of the lowest average cost-per-recipient rates in the nation—\$4,607 per beneficiary, versus a national average of \$5,475 per beneficiary, in federal fiscal year 2001.

**FIGURE HHS-11**

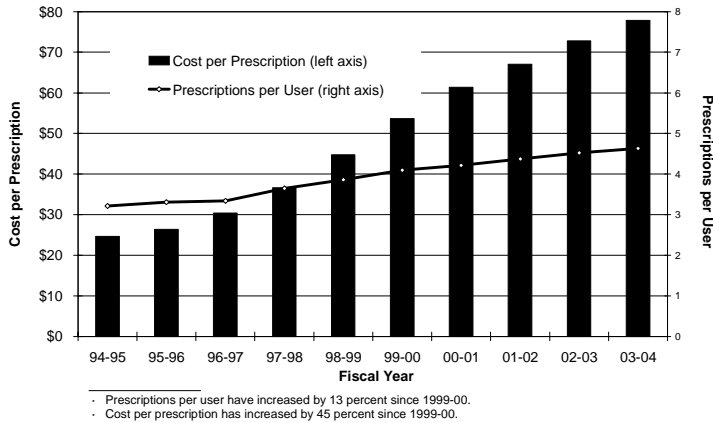
**Federal Medicaid Program - Interstate Comparisons  
Ten Most Populous States  
Federal Fiscal Year 2001**

	Medicaid as a Percentage of State's Budget	Average Monthly Eligibles as a Percentage of Total Population	Expenditures, Total Funds (Dollars in Millions)	Average Monthly Eligibles	Expenditures Per Eligible	Federal Sharing Ratio (FMAP)
All States	19.6	12.9	\$200,431	36,608,300	\$5,475	
California	16.4	15.3	24,345	5,284,500	4,607	51.4
Texas	20.1	9.3	10,542	1,972,900	5,343	60.1
New York	25.3	16.4	20,203	3,114,500	6,487	50.0
Florida	17.0	11.2	8,897	1,831,700	4,857	56.4
Illinois	22.5	11.8	8,458	1,474,300	5,737	50.0
Pennsylvania	28.3	12.0	11,531	1,471,000	7,839	54.6
Ohio	19.8	12.1	8,367	1,378,600	6,069	58.7
Michigan	19.1	11.9	7,249	1,186,000	6,112	56.3
New Jersey	22.3	9.8	7,195	830,700	8,661	50.0
Georgia	19.4	12.7	4,831	1,063,100	4,544	59.0

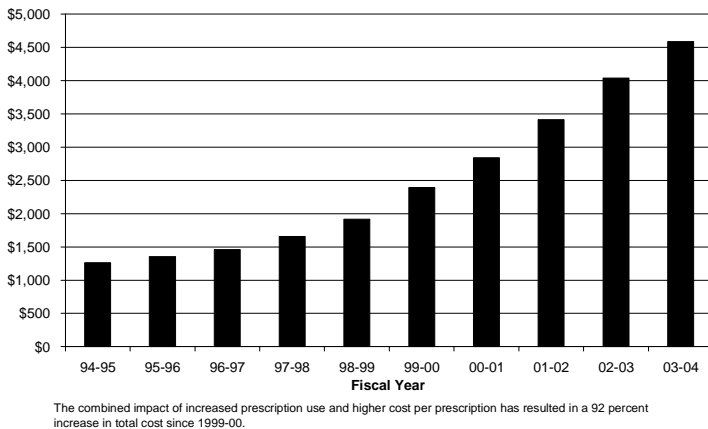
Medicaid Services, and the Kaiser Commission on Medicaid and the Uninsured.



**FIGURE HHS-12**  
Prescriptions per User and Cost per Prescription,  
Fee-for-Service Drugs



**FIGURE HHS-13**  
Total Fee-for-Service Drug Expenditures  
(Dollars in Millions)



**Benefits**—All states are federally required to provide specific, basic medical services to Medicaid beneficiaries, including: (1) physician, nurse practitioner, and nurse-midwife services, (2) hospital inpatient and outpatient services, (3) specified nursing home care, (4) laboratory and x-ray services, (5) home health care, and (6) early and periodic screening, diagnosis, and treatment services for children until age 21.

In addition, federal matching funds are available for 34 optional services. These services include outpatient drugs, adult dental services, optometry, hospice, and occupational therapy. Currently, California offers all 34 optional benefits. Due to the economic downturn and the State's fiscal constraints, the Administration proposes to eliminate 18 of these benefits, including adult dental services, medical supplies, and non-emergency medical transportation. Eight of these optional benefits were proposed for elimination in December 2002 (see Figure HHS-14).

Medical costs vary considerably among the various categories of those eligible for Medi-Cal. For example, an individual receiving Medi-Cal as a result of California Work Opportunity and Responsibility to Kids (CalWORKs) eligibility will use services valued at about \$116 per month in 2003-04, whereas a disabled person in long-term care will use about \$4,080 in benefits per month.

**Drugs**—During the last several years, the cost of drugs has increased dramatically (see Figures HHS-12 and HHS-13), and pharmaceutical costs have become a significant component of all health care costs. Technological advances in the development of new drugs, increased advertising of new and more expensive drugs, and expedited federal approval of new drugs have contributed to rising costs. As cost-control strategies, the Medi-Cal program utilizes a Medi-Cal List of contract drugs and a State supplemental rebate program. Funding in the 2002 Budget Act includes \$2 million (\$643,000 General Fund) for additional staff to implement activities that will augment existing cost-control efforts.



Savings of \$174.1 million (\$87 million General Fund) in 2002-03 and \$259.8 million (\$129.9 million General Fund) in 2003-04 are projected to result from these activities.

**Managed Care**—Currently, approximately 3.4 million Medi-Cal beneficiaries (more than half of the people receiving Medi-Cal benefits and services) are enrolled in managed care plans. Managed care enrollment has increased from 2.4 million enrollees in 1999-00 to a projected total of 3.4 million enrollees in 2002-03. The funding for managed care plans has increased from \$3.4 billion (\$1.7 billion General Fund) in 1999-00 to \$4.7 billion (\$2.3 billion General Fund) in 2003-04.

The Medi-Cal Managed Care program is a comprehensive, coordinated approach to health care delivery designed to: (1) improve access to preventive primary care, (2) improve health outcomes, and (3) control the cost of medical care. Managed care includes three major health care delivery systems: the two-plan model, Geographic Managed Care (GMC), and County Organized Health Systems (COHS). Approximately 73 percent of Medi-Cal managed care beneficiaries are enrolled in the two-plan model, first implemented in January 1996. Twelve counties were initially selected to offer beneficiaries a choice between two managed care plans. Each two-plan county offers the choice between a commercial plan selected through a competitive bidding process or the county-sponsored “local initiative.” The commercial plan consists mainly of providers who have traditionally served the Medi-Cal population. The model assures continued participation by the “traditional” providers and maximizes

the types of providers caring for beneficiaries. At full enrollment, approximately 2.5 million beneficiaries will be enrolled in a plan in a two-plan model county.

The GMC model allows the State to contract with multiple managed care plans in a single county. The first GMC system was implemented in Sacramento in 1994. A second GMC system began operation in San Diego County in 1998-99. Approximately 334,700 beneficiaries are enrolled in GMCs.

The third model, the COHS, administers a prepaid, comprehensive case-managed health care delivery system. This system provides utilization controls, claims administration, and health care services to all Medi-Cal beneficiaries residing in the county. Five COHSs serving seven counties are currently in operation. Approximately 610,000 beneficiaries are enrolled in COHS.

### Continued Support of Health Care for Children

In the Governor’s Budget, the Administration maintains its commitment to providing health care coverage to California’s low-income children. The Governor’s Budget proposes to continue recent program expansions, known as Continuous Eligibility for Children and Accelerated Enrollment for Children, and to implement a gateway into Medi-Cal and the Healthy Families Program (HFP) through the Child Health and Disability Prevention (CHDP) program, as follows:

**Continuous Eligibility for Children**—Chapter 945, Statutes of 2000 (AB 2900), provides 12-month continuing Medi-Cal eligibility to children 19 years of age and younger. This expansion reduces the num-



ber of uninsured children in California and ensures continuity of medical care. The Governor's Budget includes a total of \$486.6 million (\$243.3 million General Fund) to provide continuous Medi-Cal eligibility for an estimated 471,500 children. Since 2000-01, the Administration has provided a total of \$1.3 billion (\$638.9 million General Fund) to support this expansion.

**Accelerated Enrollment: Single Point-of-Entry**—The Accelerated Enrollment Program, implemented July 1, 2002, enables the DHS to temporarily enroll children under the age of 19 into the Medi-Cal program. These children must apply through the single point-of-entry for Medi-Cal and/or HFP, and appear to be qualified to receive no-cost Medi-Cal after the initial screening. Under the Accelerated Enrollment Program, these children are entitled to temporary, fee-for-service, full-scope, no-cost Medi-Cal while the county welfare department makes a final determination regarding their eligibility for Medi-Cal. There will be approximately 67,700 children receiving Medi-Cal benefits through the Accelerated Enrollment program. As a result of the presumptive eligibility mechanism, expenditures are projected to reach \$20.8 million (\$10.4 million General Fund) for 2002-03 and 2003-04.

**CHDP Program Gateway to Medi-Cal**—The 2002 Budget Act provides \$8.8 million for the CHDP Gateway program. The CHDP currently provides health assessments to approximately 1.1 million children each year. Most of the children covered by the CHDP program are also eligible for comprehensive health care under Medi-Cal or the HFP. The Governor's Budget proposes to

provide for the use of the CHDP program as a gateway to streamline enrollment into these comprehensive health care programs. Under this plan, pre-enrolled children will be immediately eligible, for up to two months, for a CHDP health assessment and for comprehensive medical care provided through Medi-Cal or the HFP. The Governor's Budget includes funding of \$283.9 million (\$137.1 million General Fund) for the Gateway program. The Governor's Budget also includes reduced funding for the CHDP program (\$80.6 million General Fund), for a net funding increase of \$56.5 million General Fund.

Additionally, the Administration continues to demonstrate its commitment to maximizing health care coverage for California's uninsured children by implementing two expansions that will greatly facilitate their enrollment into Medi-Cal. This streamlining of enrollment, referred to as Express Lane eligibility, will link Medi-Cal eligibility with that of other public programs that serve low-income individuals.

- ◆ **Eligibility to Children Receiving Free School Lunches**—Chapter 894, Statutes of 2001 (AB 59), will facilitate enrollment into Medi-Cal for uninsured school children by linking Medi-Cal eligibility with free school lunch eligibility. This new expansion will automatically enroll school children under age six who are receiving free school lunches into the Medi-Cal program. This expansion will also require counties to determine Medi-Cal eligibility for school children older than six receiving free school lunches and enroll them pending completion of a Medi-Cal application. It is estimated that this



expansion will result in 5,850 additional children receiving Medi-Cal coverage in 2003-04. The Governor's Budget provides \$4.3 million (\$2.1 million State funding) to support this expansion.

- ◆ **Facilitating Medi-Cal Enrollment and Eligibility for Persons Receiving Food Stamps**—Pursuant to Chapter 897, Statutes of 2001 (SB 493), this expansion will facilitate the enrollment of low-income, uninsured families into the Medi-Cal program by linking Medi-Cal eligibility with the Food Stamp Program. AB 59 requires counties to send Medi-Cal and HFP enrollment information to families receiving food stamps. SB 493 requires counties to send Medi-Cal enrollment information to families receiving food stamps at their annual eligibility redetermination. It is expected that this linkage of food stamp eligibility with the Medi-Cal program will result in an additional 11,000 parents and children receiving Medi-Cal coverage in 2003-04. The Governor's Budget provides \$8.5 million (\$4.2 million General Fund) to support this expansion.

### Medi-Cal Program Changes

The Administration continues to support the core services within the Medi-Cal program. However, the economic downturn and the State's current fiscal constraints necessitate program changes that will affect the entire Medi-Cal program: eligibility, benefits, and provider rates. In order to minimize the effect these decisions will have on beneficiaries, it is imperative to look at the program as a whole, and target changes to the

optional or expansion services the State has more recently implemented in order to maintain the integrity of the program.

**County Administration Accountability**—County welfare departments perform Medi-Cal eligibility and administrative functions on behalf of the State. One of the activities performed by counties is Medi-Cal eligibility redetermination. These redeterminations are normally conducted annually for each beneficiary to ensure that Medi-Cal eligibility is still appropriate, whether the beneficiary is enrolled in a managed care program or receives services through fee-for-service Medi-Cal. Because a majority of Medi-Cal beneficiaries are enrolled in managed care, the removal of ineligible beneficiaries results in reduced Medi-Cal spending. Managed care plans receive a capitated rate for each beneficiary, regardless of services rendered. Due to reduced funding in recent years, counties have reprioritized workload, focusing on new eligibility intakes rather than redeterminations. As a result, Medi-Cal caseload has grown significantly, both within fee-for-service and the managed care plans.

The Governor's Budget proposes to fully fund counties for Medi-Cal eligibility workload. The Governor's Budget includes funding of \$49.3 million (\$24.6 million General Fund) in 2002-03 and \$33.4 million (\$16.7 million General Fund) in 2003-04 to allow counties to perform regular redeterminations. As a result, savings of \$388 million (\$194 million General Fund) will be achieved in 2003-04. Annual savings beginning in 2004-05 are estimated to reach \$642 million (\$321 million General Fund). These savings





have allowed the Administration to avoid larger reductions to Medi-Cal eligibility and benefits.

**Medi-Cal County Share-of-Cost**—The Administration proposes that counties share in the cost of Medi-Cal services. The Governor's Budget proposes General Fund savings of \$1.6 billion by transferring 15 percent of Medi-Cal costs to counties along with a dedicated revenue stream. This proposal is intended to give counties the incentive to administer Medi-Cal eligibility determinations more efficiently. This proposal will not result in reduced eligibility or benefits for Medi-Cal beneficiaries (see Preserving Critical Programs section).

**Realignment of Medi-Cal Long-Term Care**—The Governor's Budget includes General Fund savings of \$1.4 billion to reflect the transfer of fiscal responsibility for Medi-Cal long-term care services to counties, along with a dedicated revenue stream. The State would maintain responsibility for administering services, while counties would be responsible for the costs. Oversight functions, such as licensing and complaint investigation, would remain under State control. This proposal would not result in reduced eligibility or benefits for Medi-Cal beneficiaries.

### Eligibility Expansion Rescissions

- ◆ **1931(b) Medi-Cal Program**—Effective March 2000, the 1931(b) program was expanded to 100 percent of the FPL. This expansion allowed 229,700 parents not previously eligible to enroll in the Medi-Cal program. Once enrolled in

1931(b) coverage, families may work and remain on Medi-Cal at higher income levels.

The December 2002 Mid-Year Spending Reduction Proposals included a proposal to rescind the expansion of the 1931(b) Medi-Cal program and implement the previous income standard in effect before the expansion in March 2000, resulting in budget year savings of \$236 million (\$118 million General Fund). This proposal would mainly affect new applicants, approximately 350,000 applicants in 2002-03 and 2003-04. This proposal would not eliminate current beneficiaries from the Medi-Cal program. Parents currently enrolled in the Medi-Cal program would remain enrolled, and their children would remain eligible through the continuous eligibility expansion that was implemented through Chapter 945, Statutes of 2000 (AB 2900).

- ◆ **Medi-Cal Quarterly Status Reports**—The 2000 Budget Act and Chapter 93, Statutes of 2000 (AB 287), eliminated the requirement that families receiving Medi-Cal submit quarterly eligibility status reports. The Mid-Year Spending Reduction Proposals included a proposal that would reinstate the Medi-Cal quarterly status reporting requirement, resulting in budget year savings of \$170 million (\$85 million General Fund). It would also reduce the number of adults receiving Medi-Cal benefits by 193,000 in 2003-04. As a result of this proposal, counties would experience an increase in workload as they begin processing these quarterly status reports. The Governor's Budget in-





cludes funding of \$49.3 million (\$24.6 million General Fund) in 2002-03 and \$33.4 million (\$16.7 million General Fund) in 2003-04 to allow counties to perform regular redeterminations. This additional funding will provide essential support to counties as they administer the requirements of the Medi-Cal program. Additionally, this proposal maintains the Administration's commitment to the health and welfare of the children of California, who would not be affected by the quarterly reporting requirement as they would maintain eligibility through the continuous eligibility for children expansion, implemented through Chapter 945, Statutes of 2000 (AB 2900).

- ◆ **Medi-Cal Aged and Disabled (A&D) FPL Program**—The A&D FPL program is a recent Medi-Cal eligibility expansion. This expansion provides free Medi-Cal to aged and disabled persons with income up to 133 percent of the FPL, pursuant to Chapter 93, Statutes of 2000 (AB 2877).

The Governor's Budget proposes to reduce the individual A&D FPL eligibility income limit to the Supplemental Security Income/State Supplementary Payment (SSI/SSP) benefit level. The Governor's Budget includes savings of \$127.6 million (\$63.8 million General Fund) as a result of the rescission of this expansion. The SSI/SSP level for individuals is proposed to be set at \$708 in July 2003, while the benefit amount for A&D couples is proposed to be set at \$1,225. This proposal would

shift former A&D FPL eligibles to the Medi-Cal share-of-cost program. Approximately 26,000 average monthly eligibles would still be eligible to receive Medi-Cal benefits, but with a share-of-cost.

- ◆ **Second Year of Transitional Medi-Cal (TMC)**—TMC is a public program that temporarily extends Medi-Cal coverage for families who leave welfare (CalWORKs). Federal law requires California to provide up to 12 months of Medi-Cal coverage to families who leave CalWORKs due to new or increased earnings from employment. Effective October 1, 1998, California implemented a second year of TMC for persons 19 years or older if they received the first year of federal TMC and met the income requirements. The Governor's Budget proposes to eliminate the State-only program, resulting in the retention of one year of transitional Medi-Cal coverage. This proposal will affect approximately 1,830 average monthly eligible beneficiaries. The 2003-04 savings estimate of \$2 million General Fund assumes an implementation date of October 1, 2003.

### Other Medi-Cal Program Changes

**Optional Benefits Elimination**—Currently, Medi-Cal offers all 34 federally-optional services. Due to limited fiscal resources, the Administration proposed to eliminate eight of these services in December 2002 for savings of \$126.5 million (\$63.3 million General Fund) in 2002-03 and \$548.1 million (\$274 million General Fund) in



FIGURE HHS-14

**Medi-Cal Optional Benefits  
Proposed for Elimination  
2003-04 General Fund Savings**  
(dollars in thousands)

**Proposed in December 2002  
Mid-Year Spending Reduction Proposals**

<b>Benefit</b>	<b>General Fund</b>
Adult Dental Services	\$211,801
Medical Supplies	54,333
Podiatry	4,341
Acupuncture	2,906
Chiropractic Services	399
Psychology	229
Independent Rehabilitation Centers	23
Occupational Therapy	15
<b>Total</b>	<b>\$274,047</b>

**Proposed in Governor's Budget**

<b>Benefit</b>	<b>General Fund</b>
Non-Emergency Medical Transportation	\$31,484
Optician/Optical Lab Services	14,516
Hospice	13,679
Durable Medical Equipment	12,524
Optometry	9,188
Hearing Aids	2,910
Prosthetics	2,084
Speech/Audiology Services	728
Orthotics	640
Physical Therapy	30
<b>Total</b>	<b>\$87,783</b>

**Grand Total, 2003-04 Savings** **\$361,830**

tometry, (4) optician/lab services, (5) physical therapy, (6) prosthetics, (7) orthotics, (8) speech/audiology, (9) hearing aids, and (10) durable medical equipment. Pursuant to federal requirements, these benefits will still be provided to children under 21 and beneficiaries of long-term care services. The savings estimates reflect the partial shift of beneficiaries to mandatory services, such as physician or emergency room services. Figure HHS-14 summarizes these benefit eliminations.

**Provider Rate Reductions**—The 2000 Budget Act included provider rate increases totaling approximately \$800 million. These rate increases included a 40 percent increase specific to emergency room physician services, a 16.7 percent increase in physician services overall, a 10 percent increase in long-term care, a 39 percent increase for California Children Services physician services, and a 30 percent increase for neonatal intensive care. Prior to this increase, many of these service providers had not received a rate adjustment for 10 to 15 years. Given the State's current fiscal climate, it is necessary to reduce provider rates further by 5 percent, achieving savings of \$479.3 million (\$241.9 million General Fund) in 2003-04. This reduction is in addition to the December 2002 proposal, which included 2002-03 savings of \$185.3 million (\$90.4 million General Fund) and 2003-04 savings of \$948.3 million (\$478.6 million General Fund) to reflect a 10 percent provider rate reduction. These reductions will be allocated in such a manner as to equalize the impact on providers within the Medi-Cal program. Hospital

2003-04. The Governor's Budget proposes to eliminate an additional ten optional benefits for 2003-04 savings of \$175.6 million (\$87.8 million General Fund). These include the following: (1) hospice, (2) non-emergency medical transportation, (3) op-



inpatient and outpatient services, federally-qualified health clinics, and rural health clinics will be exempt from the reduction.

**Wage Adjustment Rate Program**—The 2001 Budget Act included \$14 million (\$7 million General Fund) as a supplemental payment to long-term care facilities that have a collectively bargained agreement to increase salaries, wages, or benefits for caregivers. The regulations to implement these wage increases have not been finalized. Due to the Budget shortfall, the Administration proposes to eliminate the Program. This will result in 2002-03 savings of \$42 million (\$21 million General Fund). The Program would have required costs of \$50 million (\$25 million General Fund) in 2003-04.

### Licensing and Certification

The Department's Licensing and Certification program is responsible for surveying and licensing long-term care facilities and certain caregivers. These activities promote the highest quality of medical care in community settings and facilities in continuation

of the Administration's commitment to help elderly persons remain at home, increase community-based placement alternatives, and enhance the quality of care in nursing homes. The Governor's Budget proposes \$1.6 million (\$805,000 General Fund) and 19 positions to address increased workload in the Complaint Investigation and Fingerprint Investigation units. These additional staff will work to ensure that vulnerable long-term care beneficiaries are protected from caregiver abuse and neglect.

## Health Insurance Portability and Accountability Act

The federal Health Insurance Portability and Accountability Act (HIPAA), signed into law in August 1996, is designed to improve the availability of health insurance to working families and their children. It also requires administrative simplification, revised security procedures, and fraud control. The HIPAA is comprised of several rules aimed at meeting these goals.

FIGURE HHS-15

### Statewide HIPAA Funding

Department	2001-02		2002-03		2003-04 (proposed)	
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds
Health and Human Services Agency	\$1,576	\$2,023	\$2,117	\$2,696	\$2,971	\$3,572
Public Employees' Retirement System	--	--	--	223	--	223
Statewide Health Planning and Development	--	99	--	99	--	99
Aging	148	232	130	200	--	--
Alcohol and Drug Programs	347	714	961	1,922	988	1,975
Health Services	3,208	15,060	12,519	64,383	12,519	62,143
Developmental Services	59	118	1,308	2,615	451	901
Mental Health	56	172	941	1,882	1,077	2,155
Social Services	--	--	205	500	205	500
Corrections	--	--	688	688	--	--
Youth Authority	--	--	247	247	--	--
Personnel Administration	--	--	--	225	--	225
Veterans Affairs	--	--	134	134	134	134
<b>Total</b>	<b>\$5,394</b>	<b>\$18,418</b>	<b>\$19,250</b>	<b>\$75,814</b>	<b>\$18,345</b>	<b>\$71,927</b>



Combined, the 2001 Budget Act and Chapter 635, Statutes of 2001 (SB 456), appropriated \$92.2 million (\$24.3 million General Fund) to various departments to fund HIPAA compliance efforts. The 2001 November Revision reduced this funding by \$74.1 million (\$19 million General Fund). The 2002 Budget Act includes \$75.8 million (\$19.3 million General Fund) statewide for HIPAA-related activities. The Governor's Budget proposes 2003-04 funding of \$71.9 million (\$18.3 million General Fund) to continue HIPAA compliance efforts. Failure to implement HIPAA compliance may result in federal sanctions. Figure HHS-15 displays departmental HIPAA funding since 2001-02.

## Emergency Medical Services Authority

The Emergency Medical Services Authority (EMSA) provides statewide coordination of emergency medical services (EMS), regulates the education, training, and certification of EMS personnel, develops guidelines for local emergency medical services, and coordinates the State's medical response to any disaster.

### Consolidation of EMSA into the DHS—

The Administration proposes legislation to consolidate the EMSA into the DHS, effective July 1, 2003. This consolidation is expected to produce the following benefits: (1) improved coordination of emergency medical policy with overall State health policy, (2) improved efficiency through the consolidation of similar functions, and (3) increased administrative efficiency. The consolidation will result in savings of \$342,000 (\$138,000 General Fund) and the elimination of 5.0 positions.

**FIGURE HHS-16**  
**Statewide Healthy Families Program**  
**and Related Funding**  
(Dollars in Thousands)

	2002-03		2003-04	
	Total	General Fund	Total	General Fund
Managed Risk Medical Insurance Board (MRMIB)				
Healthy Families Support	\$5,277	\$1,746	\$5,121	\$1,705
Healthy Families Local Assistance	701,396	29,239	809,659	83,550
<b>Total MRMIB</b>	<b>\$706,673</b> <sup>1/</sup>	<b>\$30,985</b> <sup>2/</sup>	<b>\$814,780</b>	<b>\$85,255</b>
Department of Health Services (DHS)				
Support	\$1,680	\$543	\$1,296	\$431
Local Assistance:				
Eligibility Expansion	49,728	17,280	71,787	24,076
Outreach	9,883	3,778	1,300	650
Total Local Assistance	59,611	21,058	73,087	24,726
<b>Total DHS</b>	<b>\$61,291</b>	<b>\$21,601</b>	<b>\$74,383</b>	<b>\$25,157</b>
<b>Total DHS and MRMIB</b>	<b>\$767,964</b>	<b>\$52,586</b>	<b>\$889,163</b>	<b>\$110,412</b>
Other				
Department of Mental Health	\$9,401	\$98	\$11,819	\$98
Child Health and Disability Prevention	772	133	0	0
Access for Infants and Mothers	13,228	300 <sup>3/</sup>	20,158	7,055
California Children's Services	39,023	8,642	43,782	9,685
<b>Total Other</b>	<b>\$62,424</b>	<b>\$9,173</b>	<b>\$75,759</b>	<b>\$16,838</b>
<b>TOTAL HEALTHY FAMILIES AND RELATED FUNDING</b>	<b>\$830,388</b>	<b>\$61,759</b>	<b>\$964,922</b>	<b>\$127,250</b>

1. Includes costs of both the Single Point of Entry and the Health-e-App. The DHS also budgeted these costs but they were not included in the DHS section of this chart.
2. The 2002 Budget Act included \$230.5 million Tobacco Settlement Fund (TSF) in place of General Fund for Local Assistance in the Healthy Families Program. The proposed 2003-04 Budget includes \$220 million TSF for this purpose.
3. The 2002 Budget Act included \$4.3 million Tobacco Settlement Fund in place of General Fund for the Access for Infants and Mothers Program.

## Managed Risk Medical Insurance Board

The Managed Risk Medical Insurance Board (MRMIB) administers programs that provide health care coverage through private health plans to certain groups without health insurance. The Board develops policy and recommendations on providing health care insurance to the 6.3 million Californians who go without health care coverage in a given year. The three programs administered by the MRMIB are the HFP, the Major



Risk Medical Insurance Program (MRMIP), and the Access for Infants and Mothers (AIM) program.

**Healthy Families Program**—The HFP is a subsidized health insurance program for children in families with low-to-moderate income who are ineligible for no-cost Medi-Cal. The HFP provides low-cost health, dental, and vision coverage to eligible children from birth to age 19. Recent research indicates that children in poor health who enrolled in the HFP became significantly healthier, missed fewer days of school, and significantly improved their ability to pay attention in class.

HFP expenditures for the MRMIB grew from \$211.8 million (\$76.2 million State funding) in 1999-00 to \$809.7 million (\$303.6 million State funding) in 2003-04, an increase of \$227.4 million State funding, or 298 percent. Since year-end 1999-00, the children's caseload has grown from about 297,000 to an expected 768,000 in 2003-04 for a total increase of 471,000 children, or 159 percent. Since the beginning of this Administration, about \$2.6 billion (\$979 million State funding) has been provided for this program. Figure HHS-16 displays statewide funding for the HFP and related health care programs in the State.

The Governor's Budget includes the following significant adjustments for the HFP in 2003-04:

- ◆ **Tobacco Settlement Funds for the HFP**—Due to the structure and sizing of the Tobacco Settlement Fund (TSF) bond financing, \$220 million in one-time TSF is available in 2003-04 for the HFP. This funding replaces \$220 mil-

lion in General Fund resources, and will be used to maintain the current HFP caseload. The 2002 Budget Act included \$230.5 million TSF for the HFP, although that funding was also only available on a one-time basis due to the anticipated TSF bond financing.

- ◆ **Delay of HFP Parental Expansion Until July 2006**—Due to the continuing economic downturn, the Administration proposes to delay implementation of the HFP Parental Expansion until July 2006. This will allow the State to maintain HFP coverage for all eligible children.
- ◆ **Discontinuing the Rural Health Demonstration Project (RHDP)**—In order to maintain sufficient resources for the ongoing HFP caseload, the Governor's Budget proposes to discontinue the RHDP in 2003-04. The 2002 Budget Act included \$4.8 million (\$1.7 million State funding) in the MRMIB and \$3 million in the Department of Health Services for the RHDP.

**Access for Infants and Mothers**—The AIM program provides low-cost, comprehensive health insurance coverage to uninsured pregnant women with family income between 200 percent and 300 percent of the FPL. This coverage extends from pregnancy to 60-days postpartum, and covers infants up to two years of age. The Governor's Budget includes a total of \$117.5 million (\$97.3 million Perinatal Insurance Fund) for this program, an increase of \$33.5 million (\$25.7 million Perinatal Insurance Fund) over the 2002 Budget Act. This funding





increase will be used to provide coverage to an additional 2,800 women and 23,100 children compared to the 2002 Budget Act.

The budget for this program has increased from \$41.7 million (\$37.5 million Perinatal Insurance Fund) in 1998-99 to \$117.5 million (\$97.3 million Perinatal Insurance Fund) in 2003-04, for a total increase of \$75.8 million (\$59.8 million Perinatal Insurance Fund), or 182 percent. Since 1998-99, caseload has grown from 4,460 women and 74,100 infants to a total of 9,530 women and 138,240 infants in 2003-04, or an increase of 114 percent in women's enrollment and 87 percent in infants' enrollment.

**Major Risk Medical Insurance Program—**

The MRMIP provides health care coverage to medically high-risk individuals and the medically uninsurable who are refused coverage through the individual health insurance market. Program enrollment is “capped” at the level of annual funding provided. The MRMIP currently provides benefits to a total of 15,400 persons, with 2,350 persons currently on the waiting list.

In addition, the MRMIB is currently developing regulations to implement Chapter 794, Statutes of 2002 (AB 1401), which uses a market-based solution to reduce the waiting list of applicants for the MRMIP. Effective September 1, 2003, MRMIP subscribers who have been in the program for 36 months will transition into guaranteed-issue coverage offered by health plans in the individual insurance market.

## Department of Mental Health

The Governor's Budget includes \$2.3 billion (\$786.8 million General Fund), a net increase of \$206.8 million (a reduction of \$33.4 million General Fund) above the 2002 Budget Act for state hospitals and community mental health programs. The increase reflects higher caseloads for the State hospitals and community mental health programs.

**Realignment—**The Budget proposes to realign the Integrated Services for the Homeless and the Children's System of Care programs. Under realignment, counties will be provided with a dedicated revenue source to support these and other programs proposed to be realigned to counties. Realignment will give counties greater flexibility in the program administration and use of these funds, and will result in General Fund savings of \$74.9 million (see Preserving Critical Programs section).

**State Operations—**The Budget includes \$70.6 million (\$49 million General Fund) for state operations, a net increase of \$3.3 million (\$161,000 General Fund) for employee compensation, retirement, and various policy adjustments. The following significant policy adjustments are included in the 2003-04 Governor's Budget:

- ◆ An increase of \$6.2 million (\$1.7 million General Fund) and one position to ensure compliance with new federal regulations governing operation of the Medicaid managed care program.





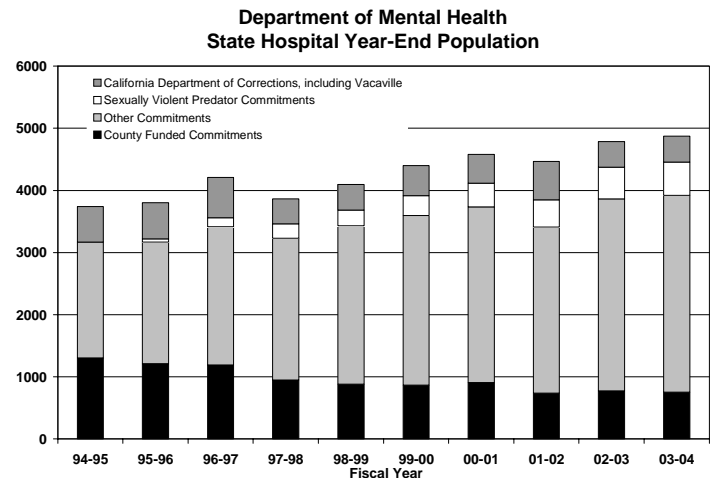
- ◆ A reduction of \$2.5 million General Fund and 21 positions to reflect lower administrative expenses.
- ◆ An increase of \$878,000 General Fund for sexually violent predator evaluations and court testimony costs.
- ◆ A reduction of \$737,000 and one position to reflect elimination of funding transferred from the Victim Compensation and Government Claims Board.

**State Hospitals**—The Budget includes \$660.4 million (\$513.4 million General Fund), a net increase of \$71.6 million (\$62.3 million General Fund) above the 2002 Budget Act. This increase is predominantly for employee compensation, retirement, and miscellaneous adjustments. This funding level will support a total caseload of 4,800 state hospital commitments.

The following significant policy adjustments are also included in the 2003-04 Governor's Budget:

- ◆ An increase of \$11.4 million (\$9.4 million General Fund) to adjust the state hospital budget to more accurately display the costs of operating expenses and equipment. In the past, state hospitals utilized personal services funding from vacant positions for the cost of food, drugs, and other patient related expenses. As a result of the revised patient and staffing estimate methodology implemented for the 2002-03 Governor's Budget, state hospitals have a reduced ability to redirect personal services savings, and additional funds are required for these patient-related costs.

**FIGURE HHS-17**



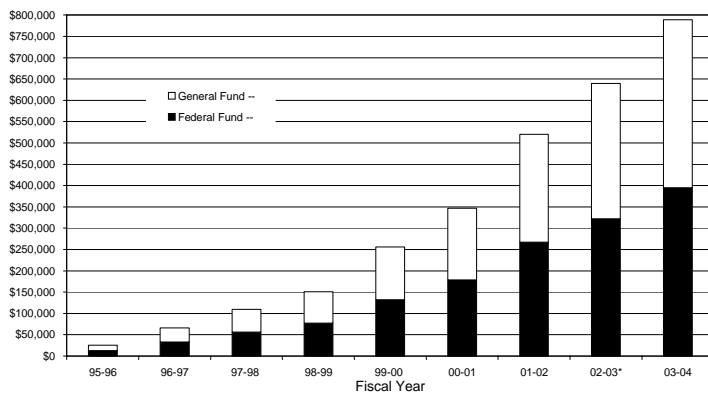
- ◆ A net increase of \$3.9 million (\$8.5 million General Fund) to reflect an increase of 88 commitments in the state hospital population (see Figure HHS-17). The 2003-04 year-end population of State-funded forensic patients is expected to increase by 114. The number of beds to be purchased by the counties is expected to decrease from 776 to 750.
- ◆ An increase of \$3.5 million in reimbursements to operate a 20-bed Correctional Treatment Center program serving wards at the California Youth Authority Southern Youth Reception Center and Clinic.

**Community Mental Health Services**—The Governor's Budget includes \$1.6 billion (\$224.3 million General Fund), a net increase of \$131.9 million in total funds and a reduction of \$95.9 million General Fund compared to the 2002 Budget Act. The following significant adjustments are included in the 2003-04 Governor's Budget:



**FIGURE HHS-18**

**Early and Periodic Screening, Diagnosis, and Treatment  
Mental Health Services**  
(Dollars in Thousands)



\*2002-03 revised funding includes an increase of \$87.9 million in program costs (all funds) over the 2002 Budget Act. Funding for 2003-04 is an increase of \$230.4 million over the 2002 Budget Act

- ◆ A reduction of \$74.9 million General Fund to reflect the realignment of the Integrated Services for the Homeless and Children's System of Care programs to counties.
- ◆ A reduction of \$496,000 in reimbursements for the San Mateo Pharmacy and Laboratory Services Field Test based on actual costs.
- ◆ An increase of \$230.4 million in reimbursements for the Early and Periodic Screening, Diagnosis, and Treatment services. This reflects a 42.4 percent increase in program costs (all fund sources) over the past year, and is partially the result of a revised methodology that will more accurately predict program costs and decrease potential deficiency requests (see Figure HHS-18). The growth in program expenditures is alarming and continues to justify the cost control measures implemented in the 2002-03 Budget. Due to the delay between the delivery of services and the settlement of expenditure claims two years later, the full effect to which the county share-of-cost and increased application of managed care principles reduce growth will not be known until the 2004-05 fiscal year.
- ◆ An increase of \$34 million (\$17 million General Fund) for local mental health plans to reflect caseload growth and ensure compliance with new federal regulations governing operation of the Medicaid managed care program.
- ◆ An increase of \$4 million in reimbursements for estimated increases in caseload for the Healthy Families Program.
- ◆ An increase of \$1.2 million General Fund to continue to provide a supplemental rate for Community Treatment Facilities.
- ◆ In light of the continued economic downturn and to protect other vital programs, the Governor's Budget proposes the following reductions:
  - ◇ Elimination of the Early Mental Health Services program for General Fund savings of \$15 million.
  - ◇ A \$46 million (\$23 million General Fund) reduction to reflect a proposed 10 percent rate reduction to mental health managed care.



## Department of Developmental Services

The Governor's Budget includes \$3.2 billion (\$2 billion General Fund), an increase of \$354 million (\$142.5 General Fund) above the 2002 Budget Act for programs serving persons with developmental disabilities. This increase reflects an additional 10,800 consumers for a total caseload of 196,700.

### Developmental Centers

The developmental center budget includes a net increase of \$27 million (\$17.8 million General Fund) to reflect increased staffing costs. With a projected decrease of 70 consumers in the developmental centers, the total 2003-04 caseload is projected to be 3,590. Although the overall population is decreasing, a greater proportion of the population requires increased levels of medical care or higher levels of supervision due to behavioral challenges.

- ◆ **Bay Area Project, Agnews Assessment**—The Department of Developmental Services will develop a plan to transition consumers living at Agnews Developmental Center into community-based placements as appropriate, and close the facility by July 2005. In keeping with the Administration's commitment to provide services to individuals with developmental disabilities in the least restrictive setting possible, a planning team will assess consumer needs and identify additional resources necessary to successfully move current Agnews consumers into

community placements or other developmental centers. The Department will absorb the cost of the planning team within its existing resources.

- ◆ **Additional Special Investigative Resources**—The Governor's Budget contains \$406,000 (\$237,000 General Fund) and five positions to provide additional special investigators at the developmental centers. These additional investigators will ensure consumer safety by completing investigations within the statutory timeframes and reducing the backlog of existing investigations.

### Regional Centers

The Governor's Budget includes a net increase of \$321 million (\$121 million General Fund) for regional centers for 2003-04 due to increased caseload, higher service utilization rates, and program modifications. The regional center population is projected to increase by 10,870 consumers, to a total of 193,100. The Governor's Budget includes several proposals to offset the significant growth in caseload expenditures and control the future growth of regional center costs, including the following:

- ◆ **Regional Center Purchase of Services**—A \$100 million General Fund savings to be achieved through the implementation of statewide standards for services delivered to people with developmental disabilities. With the input from the 21 regional centers, the Department will identify opportunities to maximize efficient use of the \$2.5 bil-



lion proposed for the Community Services program, increase administration efficiency, and improve consistency of the services provided to consumers, while maintaining the entitlement guaranteed under the Lanterman Act.

- ◆ **Enhancing Federal Financial Participation (FFP)**—A \$92.1 million General Fund decrease and an offsetting increase in federal reimbursements. By increasing the number of persons who receive services under the existing Home and Community-Based Services Waiver, additional federal funds are captured for existing services and offset General Fund expenditures. Additional measures to increase FFP include expanding the type of services billable to the Waiver, increasing the percentage of contracted expenditures eligible for federal reimbursement, and recalculating Targeted Case Management rates.
- ◆ **Transfer of Title XX Grant Fund to Regional Centers**—A \$65.7 million General Fund savings to reflect a fund shift for regional centers. As a result of decreased CalWORKs grants, there are savings in Temporary Assistance to Needy Families funds that can be transferred to Title XX. The commensurate Title XX savings can be used in lieu of General Fund.
- ◆ **Parental Co-payment Implementation**—General Fund revenues of \$31.6 million to be achieved through the implementation of a proposal to require parents to share in the cost of providing services to their children. The co-payment would apply to parents with minors living at home who receive services from regional centers. The amount of the co-payment would be assessed on a sliding scale based on income, and applied only to families earning more than 200 percent of the federal poverty level. The headquarters budget also includes \$1.8 million and 23.6 new positions to implement the parental co-payment system.
- ◆ **Aligning State and Federal Eligibility Definitions**—A \$2.1 million General Fund reduction by redefining the State's definition of "substantial disability," which is used to determine whether individuals are eligible for service. The redefinition will further align the State and federal definitions, requiring limitations in three of the seven major life activity domains in order to establish eligibility. The revised definition would be applied prospectively so that those currently receiving services would not be affected.
- ◆ **Transfer of Habilitation Services Program (HSP)**—A transfer of \$114.7 million General Fund increase is proposed to reflect the consolidation of the HSP into the regional centers. The HSP is currently administered by the DOR but serves many DDS consumers. The transfer will result in more efficient delivery of services to consumers. The headquarters budget also includes \$1.3 million (\$671,000 General Fund) and 18 positions that will assume responsibility for management and oversight of the program. As \$2.3 million (\$2.2 million General Fund) and 29 positions are eliminated from the DOR pursuant to the program



transfer, this proposal will result in a net General Fund savings of \$1.5 million and the elimination of 11 State positions.

- ◆ **Expansion of Self-Determination Pilot Projects**—While extending the Self-Determination Pilot Projects through June 30, 2005, the Department will also seek a Home and Community-Based Services Waiver specifically for consumers participating in the pilots. The headquarters budget includes \$159,000 (\$139,000 General Fund) and two positions to prepare and submit the Waiver application to obtain FFP under the Waiver for self-determined services.

## Department of Alcohol and Drug Programs

The Governor's Budget includes \$483.1 million (\$5.6 million General Fund), a decrease of \$94.6 million (\$231.1 million General Fund) below the 2002 Budget Act for substance abuse treatment programs.

**Realignment**—The 2003-04 Governor's Budget proposes to realign multiple alcohol and drug programs, including Drug Medi-Cal services, drug court programs, Proposition 36 funding, and non-Medi-Cal alcohol and other drug services. Under realignment, counties will be provided with a dedicated local revenue source to support these programs. Realignment will provide counties greater flexibility in the use of these funds and in the administration of alcohol and drug programs. The total funding to be

realigned accounts for Proposition 36 expenditures, which are currently not counted toward the federal Substance Abuse and Prevention Treatment (SAPT) Maintenance-of-Effort (MOE) requirement. Because funding under realignment will exceed the amount required to meet the SAPT MOE, funding under realignment would ensure that the SAPT MOE is met even if local revenues declined by 40 percent. (See Preserving Critical Programs section.)

The 2003-04 Governor's Budget includes the following major adjustments:

**State Incentive Grant (SIG)**—The Department of Alcohol and Drug Programs (DADP) has received a \$4 million federal grant award to implement science-based prevention programs and practices targeting binge drinking among 12-25 year old youth and young adults. These funds will be allocated through a competitive grant process to approximately 20-25 counties, with the grant amount dependent on the scope of the proposed local initiative. The SIG is a cooperative agreement with the federal Center for Substance Abuse Prevention. The Department proposes to implement the SIG grant in the current year with 1.5 positions and \$3.9 million, and in the budget year with three positions and \$4 million.

**Drug Medi-Cal Caseload**—Current year costs will decrease by \$7.6 million (\$3.8 million General Fund) compared to the 2002 Budget Act as a result of changes in caseload, lower costs for specified services, and a change in the types of services utilized. The 2003-04 caseload is projected to be 71,300 clients. Program expenditures





in 2003-04 are estimated to decrease by \$2.6 million compared to the 2002 Budget Act.

**Performance Partnership Grants**—The federal Performance Partnership Grants are a new performance-based funding process for the federal Substance Abuse Prevention and Treatment Block Grant, required to commence in October 2003. The State will be required to collect outcome data using a continuous quality-improvement framework. The Department proposes to implement the Performance Partnership Grant performance measures in the current year with one position and \$42,000 federal funds, and in the budget year with three positions and \$242,000 federal funds.

**Narcotic Treatment Program Licensing**—The 2003-04 Governor's Budget proposes an increase of \$405,000 and one position to support the caseload growth associated with licensure of office-based opioid treatment programs and other narcotic treatment programs. The programs will increase access to narcotic treatment in remote areas. By increasing the use of licensing fees, the Department will be able to redirect existing federal block grant moneys to local services.

**Licensing and Certification**—Proposition 36, the Substance Abuse and Crime Prevention Act of 2000, requires any alcohol and/or drug recovery or treatment program receiving Proposition 36 funds to be licensed or certified through the DADP. The 2003-04 Governor's Budget proposes \$147,000 and two positions to accommodate this caseload growth.

## Department of Rehabilitation

The Department of Rehabilitation is responsible for assisting people with disabilities, particularly those with the most significant disabilities, to obtain and retain employment and to maximize their ability to live independently in their communities. The Governor's Budget proposes \$343.8 million (\$43.1 million General Fund) and 1,915.8 personnel years to carry out the Department's programs in 2003-04.

**Vocational Rehabilitation Services Program**—The Administration has demonstrated its strong support for persons with disabilities by providing sufficient funding for continuous service to the Most Significantly Disabled and Significantly Disabled, commencing with the 1999-00 fiscal year. The Governor's Budget includes \$299.2 million to continue services to 80,851 clients. Through the Department's service priority system, the Order of Selection, the Administration proposes to continue to serve the most significantly disabled clients, regardless of application date, including those significantly disabled applicants who may apply through June 30, 2004.

**Habilitation Services Program Consolidation within the Regional Centers**—To improve services to developmentally disabled persons, the Administration proposes to consolidate the Habilitation Services Program (HSP) within the Department of Developmental Services (DDS) Regional Centers. The clients served in the HSP are DDS clients, and consolidation will ensure more efficient service delivery and eliminate





the duplicative administrative costs for the program. This proposal will result in savings of \$2.3 million (\$2.2 million General Fund), while reducing the size of the Department's staff by 29 positions. As the DDS will require an additional \$1.3 million (\$671,000 General Fund) and 18 positions to manage and oversee the program, this proposal will result in a net General Fund savings of \$1.5 million and 11 positions.

**Work Activity Program (WAP) and Supported Employment Program (SEP)**—In light of the State's severe fiscal constraints, the Governor's Budget includes a reduction of \$2.1 million (\$1.5 million General Fund) in 2002-03 and \$8.8 million (\$6.3 million General Fund) in 2003-04 to reflect a 5 percent reduction in provider rates for the WAP and SEP programs. The rate reduction was proposed in December 2002 to be effective April 1, 2003. In conjunction with the rate reduction, the Administration has also proposed the suspension of the 2003-04 statutory WAP rate adjustment to avoid costs of \$16.9 million (\$12.3 million General Fund).

## Office of Statewide Health Planning and Development

The Office of Statewide Health Planning and Development (OSHDP) is responsible for ensuring that California's health care systems meet the current and future health needs of the State. The Office ensures health care facilities are capable of continued operation in the event of a disaster, and improves delivery of and accessibility to health care in the State. The Governor's

Budget proposes \$53.1 million and 366.9 personnel years to carry out the OSHPD's mission in 2003-04.

**Family Physician Training Program (FPTP)**—The FPTP provides support to medical training institutes for the expansion of family practice resident, primary care physician assistant, osteopathic family physician, and primary care nurse practitioner residency programs. To provide an ongoing stable funding source for the program, the Administration proposes legislation to impose a surcharge on various medical licenses. The fee revenue would offset approximately \$4.5 million General Fund that supports the administration and operation of the program.

## Department of Child Support Services

The Child Support Program promotes the well-being of children and the self-sufficiency of families by delivering child support establishment and collection services that assist parents in meeting the financial, medical, and emotional needs of their children. To provide enhanced fiscal and programmatic direction and oversight of child support enforcement activities, Chapters 478 and 480, Statutes of 1999, established the Department of Child Support Services (DCSS). These measures authorized the implementation of a single statewide child support system comprised of local child support agencies under the supervision of the new department. The DCSS assumed responsibility for child support enforcement activities in January 2000.



The Department is designated as the single State agency to administer the statewide program to secure child, spousal, and medical support, and determine paternity. The primary purpose is the collection of child support payments for custodial parents and their children. The Governor's Budget proposes approximately \$1.2 billion (\$470.2 million General Fund) and 245.3 personnel years for state operations and local assistance.

**Child Support Collections**—The Child Support Program establishes and enforces court orders for child, spousal, and medical support from absent parents on behalf of dependent children and their caretakers. For display purposes only, the Governor's Budget reflects the total collections received, including payments to families and collections made in California on behalf of other states. The General Fund share of assistance collections is included in statewide revenue projections.

Child support collections for 2002-03 are projected to be \$2.3 billion (\$321.2 million General Fund), an increase of \$21.8 million General Fund above the 2001-02 collections of \$2.1 billion (\$299.4 million General Fund). However, the 2003-04 projections reflect a decline in the collections growth rate of approximately \$1 million General Fund compared to 2002-03 projections, which is attributable to economic factors such as increasing unemployment and downward wage pressure. As local child support agencies are challenged to collect from the more "hard core" obligors, the growth rate is expected to flatten, which is reflected in the 2003-04 estimates.

**State Administration**—The Governor's Budget proposes total expenditures of \$31.9 million General Fund for State administration of the program in 2003-04. Departmental staff ensure a more effective program through expanded State-level direction and supervision of local child support agencies. Specific mandates require increased oversight of local program and fiscal operations.

**Foster Parent Training Fund**—Due to the State's fiscal condition, the Administration proposes savings of \$2.6 million General Fund by eliminating the transfer of a portion of child support collections from the DCSS to the California Community Colleges to help support foster parent training programs.

**Child Support Automation**—Chapter 479, Statutes of 1999, designated the Franchise Tax Board as the agent of the Department for the procurement, development, implementation, and maintenance and operation of the California Child Support Automation System. The State is responsible for all costs associated with developing, implementing, and transitioning all counties onto this new system. As a result of California's delay in implementing a single, statewide-automated system, the federal government has levied significant federal penalties against the State. In 2002-03, California will pay an estimated \$188.2 million General Fund in federal penalties, an increase of \$98.5 million over the level appropriated in the 2002 Budget Act. The Administration proposes legislation that requires a 25 percent county share of the increased penalty for the last quarter of 2002-03. This sharing ratio is consistent with that required for other social services programs. The pro-



posed legislation requires that counties share in the projected \$207.1 million cost of the 2003-04 federal penalty, at the same 25 percent sharing ratio, which would offset \$51.8 million in General Fund costs.

**County Administration**—The 2003-04 Governor's Budget proposes \$231.2 million General Fund for local agency administrative costs. While this represents a reduction from the amount derived from the methodology prescribed in statute to support local agency costs, it is tantamount to maintenance of the prior year expenditure levels, adjusted for costs that will not recur. As such, this does not represent a reduction to programs, as has occurred with many other State programs, but is sufficient funding to support core activities.

## California Department of Aging

The California Department of Aging (CDA) is responsible for: (1) developing systems of home and community-based services that maintain individuals in home-like environments, (2) developing, coordinating, and using resources to meet the long-term care needs of older individuals, and (3) working with Area Agencies on Aging to manage federally and State-funded services at the community level. The Governor's Budget proposes \$181.8 million (\$31.9 million General Fund) and 144.5 personnel years to carry out the Department's programs in 2003-04.

**Long-Term Care Ombudsman Program**—The Administration continues to demonstrate support for its Long-Term Care Consumer Protection Initiative, by providing

additional funding to expand the Long-Term Care Ombudsman Program. The Governor's Budget reflects an increase of \$3.3 million (\$2.3 million Federal Citation Penalties Account, Special Deposit Fund). This would enable the Long-Term Care Ombudsman Program to fund part-time staff members to oversee an additional 650 volunteer resident advocates in long-term care facilities.

**Senior Farmer's Market Nutrition Program**—The Governor's Budget includes \$1 million federal funds to transfer responsibility for operation of the Senior Farmer's Market Nutrition Program to the CDA from the Department of Health Services.

**Program Eliminations**—In light of the State's current economic slowdown and in order to protect other vital State programs, the Governor's Budget reflects a reduction of \$5.1 million General Fund in 2003-04 due to the elimination of various programs. The program eliminations and reductions were proposed in the December 2002 Mid-Year Spending Reduction Proposals.

## Department of Social Services

### California Work Opportunity and Responsibility to Kids

The California Work Opportunity and Responsibility to Kids (CalWORKs) program, California's version of the federal Temporary Assistance for Needy Families (TANF) program, replaced the Aid to Families with Dependent Children (AFDC) program on January 1, 1998. The



FIGURE HHS-19

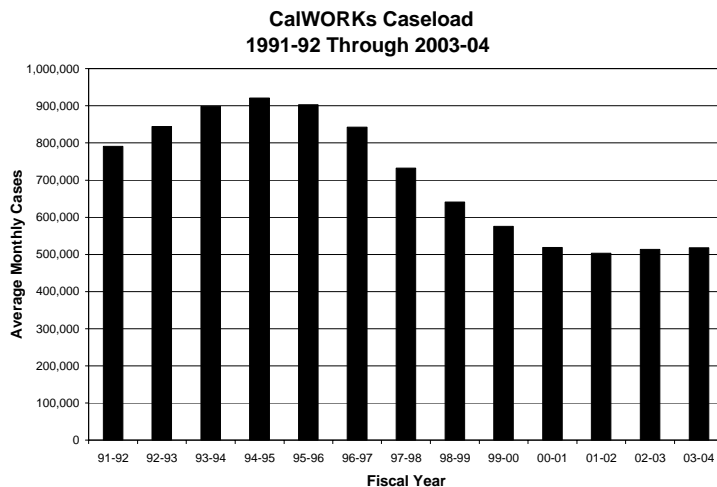
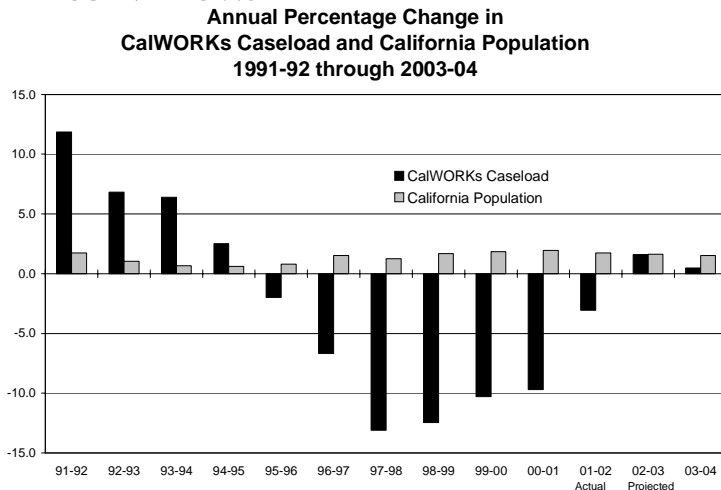


FIGURE HHS-20



CalWORKs program is California's largest cash-aid program for children and families, and is designed to provide temporary assistance to meet basic needs (shelter, food, and clothing) in times of crisis. While providing time-limited assistance, the program also promotes self-sufficiency by establishing work requirements and encouraging personal accountability. The program

recognizes the differences among counties and affords them maximum program design and funding flexibility to better ensure successful implementation at the local level.

**Program Successes**—California has experienced significant success with its CalWORKs program. The number of aid recipients who are employed has increased from 19 percent in 1996 to 49 percent in 2001. The average monthly wage for aided families has grown from \$596 prior to CalWORKs to \$815 in 2001. Caseload reductions have occurred in every county. To date, the State has received over \$140 million in federal bonuses for its successful operation of the CalWORKs program as compared to other states.

**Caseload Trends**—Caseload growth is continuing to flatten after many consecutive years of decline. The revised caseload projections are 511,000 cases in 2002-03 and 514,000 cases in 2003-04. This represents a major improvement from the rapid growth of the early 1990s, when caseload peaked in 1994-95 at 921,000 cases (see Figures HHS-19 and HHS-20). Policy reforms that promote self-sufficiency and encourage job skills training, along with increased child-care services, financial incentives encouraging work, and until recently, an improved private sector economy, have assisted recipients and potential recipients in finding employment.

**TANF Block Grant and Maintenance-of-Effort (MOE)**—Under federal TANF provisions, California is awarded a block grant of \$3.7 billion per year. Any unspent block grant funding may be carried forward by the State from year-to-year.



The State and counties have a federal MOE requirement, based on federal fiscal year 1994 baseline expenditures for the former AFDC program and the proportion of CalWORKs recipients that are participating in work activities. The 2003-04 CalWORKs budget reflects California's success in having recipients meet the federally-mandated work participation requirements. With that goal being met, the federally-imposed MOE level for California was reduced from 80 percent of the federal fiscal year 1994 baseline expenditures for the former AFDC program (\$2.9 billion) to 75 percent (\$2.7 billion), saving \$181.7 million General Fund for use in other programs.

**CalWORKs Expenditures—Total** CalWORKs expenditures of \$6.7 billion are proposed for 2003-04, including TANF and MOE countable expenditures. The amount budgeted includes \$5.8 billion for direct CalWORKs program expenditures, \$598 million in other programs, and \$200 million for a CalWORKs program reserve. Other programs include the Statewide Automated Welfare System, Child Welfare Services, California Community Colleges education services, Department of Child Support Services disregard payments, and non-CalWORKs child care (see Figure HHS-21).

**Grant Levels—**In order to maintain CalWORKs program expenditures within available resources, while protecting the critical welfare-to-work emphasis of the program, the Governor's Budget does not include funding to provide a cost-of-living adjustment (COLA) for cash grants. In addition, grant levels will be reduced by approximately 6 percent from the level in the 2002 Budget Act. This reduction is

FIGURE HHS-21

### CalWORKs Program Expenditures <sup>1</sup>

(Dollars in Millions)

<b>Direct CalWORKs Expenditures:</b>		<b>2003-04</b>
Assistance Payments		\$3,056
Employment Services		950
Administration		386
Child Care		1,092
DSS		(481)
Realignment		(597)
California Community Colleges		(15)
Juvenile Probation		201
County Performance Incentives		0
Kin-GAP		101
Department of Social Services Administration		27
<b>Total</b>		<b>\$5,814</b>
<b>Other Programs:</b>		
Statewide Automated Welfare System		117
Child Welfare Services		215
California Food Assistance Program		6
State Supplementary Payment Program		2
CCC Education Services		20
DCSS Disregard Payments		28
Non-CalWORKs Child Care		212
<b>Total</b>		<b>\$598</b>
Child Care Holdback		57
General TANF Reserve		\$200
<b>Total CalWORKs Expenditures</b>		<b>\$6,670</b>

<sup>1</sup> Detail may not add to totals due to rounding.  
Includes county share of costs.

consistent with the reduction to the Supplemental Security Income/State Supplementary Payment (SSI/SSP) grant discussed below. The monthly cash grant for a family of three would decrease to \$637 in Region I and \$607 in Region II. However, this grant level represents an increase from the start of





this Administration, when the monthly cash grant for a family of three was \$611 in Region I and \$582 in Region II. The reduction in the cash grant allows \$65.7 million in TANF funds to be transferred to the federal Title XX Block Grant in order to offset General Fund costs within the Department of Developmental Services.

In addition, the CalWORKs assistance payment structure continues to reward working families by allowing them to retain earnings in excess of twice the grant amount and still remain enrolled in the program. As an example, a family of three living in Region I can earn up to \$1,499 per month before its grant would be reduced to zero. In addition to the grant, the family typically would be eligible for employment services, child care, Food Stamps, and Medi-Cal.

**CalWORKs Employment Services**—The Governor's Budget provides a one-time augmentation of \$241.5 million for employment services. Given the reduction in CalWORKs grant levels, it is important to invest in services that enable recipients to leave aid and become self sufficient. This funding would enable counties to provide services tailored to their individual needs to move CalWORKs recipients from welfare-to-work. In addition, as discussed in the Preserving Critical Programs section, CalWORKs administration and employment services are proposed for realignment in 2003-04. Under this proposal, counties would be given a 50 percent share-of-cost for administration and employment services, totaling \$543.7 million, along with a dedicated revenue stream.

**CalWORKs Child Care**—The Governor's Budget funds the projected child care need for CalWORKs recipients. Funding is included in the Department of Social Services (DSS) budget for Stage I Child Care, in which counties initially place CalWORKs families and continue to provide services until their financial condition stabilizes. Realignment funding will be provided to counties for families whose financial condition has stabilized, thus allowing them to be moved out of Stage I Child Care.

**Total TANF Reserve**—The Governor's Budget includes a \$200 million TANF reserve to be available for unanticipated needs. A reserve of this magnitude is needed to mitigate the impact of the several CalWORKs program pressures, including the reauthorization of the federal TANF program. While Congress and the President will consider several key policy changes, federal legislation for reauthorization introduced to date would significantly increase the work participation rates, which could require substantial additional investments in employment services. Other CalWORKs program pressures include costs resulting from a federal audit of AFDC grant overpayment collections that occurred between 1996 and 2001, and potential federal penalties resulting from issues with data reported by the State's Child Support system.

### **Supplemental Security Income/ State Supplementary Payment**

The federal SSI program provides a monthly cash benefit to eligible aged, blind, and disabled persons who meet the program's income and resource requirements. In





California, the SSI payment is augmented with a SSP grant. These cash grants assist recipients with basic needs and living expenses. The federal Social Security Administration administers the SSI/SSP program, making eligibility determinations and grant computations and issuing combined monthly checks to recipients.

**2003-04 Expenditures**—The Governor's Budget proposes \$2.3 billion General Fund for the SSI/SSP program in 2003-04. This represents a 24.2 percent decrease from the 2002-03 projected level. Given the State's severe fiscal constraints, the Administration proposes that the June 2003 and January 2004 State COLAs (3.74 percent and 3.48 percent, respectively) be suspended, and the SSI/SSP grant be reduced to the federally-required MOE level, effective July 1, 2003. The overall grant payment standards will be reduced to \$708 for an individual and \$1,225 for a couple (see Figure HHS-22).

The Administration proposes the pass-through of the January 2004 federal COLA of 2.4 percent, which would increase grants to \$722 for an individual and \$1,244 for a couple, effective January 2004. As reflected in Figure HHS-23, California continues to provide the highest level of support to SSI/SSP recipients among the ten most populous states.

During the tenure of this Administration, the SSI/SSP grant levels have generally increased. For example, the grant amount will have increased from \$650 to \$722 for aged and disabled individuals, and from

**FIGURE HHS-22**

### Changes in the California SSI/SSP Maximum Payment

Implementation Date	Independent Living Arrangement Aged and Disabled	
	Individuals	Couples
January 1, 1998, 2.1 percent SSI COLA	\$650	\$1,156
January 1, 1999, 2.84 percent SSI/SSP COLA	676	1,201
January 1, 2000, 2.36 percent SSI/SSP COLA	692	1,229
January 1, 2001, 2.96 percent SSI/SSP COLA	712	1,265
January 1, 2002, 5.31 percent SSI/SSP COLA	750	1,332
January 1, 2003, 1.4 percent SSI COLA	757	1,344
July 1, 2003, reduction to federal maintenance-of-effort level	708	1,225
January 1, 2004, 2.4 percent SSI COLA	722	1,244

**FIGURE HHS-23**

### Comparison of the 2002 SSI/SSP Maximum Payments<sup>1</sup> for the Ten Most Populous States

State	Independent Living Arrangement Aged and Disabled		Blind	
	Individuals	Couples	Individuals	Couples
California	\$750	\$1,332	\$812	\$1,544
New York	632	921	632	921
New Jersey	576	842	576	842
Pennsylvania	572	861	572	861
Michigan	559	845	559	845
Florida <sup>2</sup>	545	817	545	817
Georgia <sup>2</sup>	545	817	545	817
Texas <sup>2</sup>	545	817	545	817
Illinois <sup>3</sup>	545	817	545	817
Ohio <sup>2</sup>	545	817	545	817

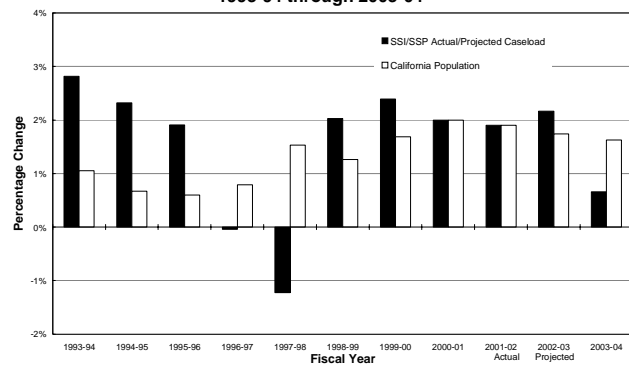
<sup>1</sup> The January 2002 federal maximum payments are \$545 per individual, and \$817 for a couple.

<sup>2</sup> Reflects the federal SSI maximum payment only, as these states do not provide supplemental payments for an independent living arrangement.

<sup>3</sup> Illinois does not have a standard SSP allowance. Any supplements are based upon individual needs and circumstances.

**FIGURE HHS-24**

### Annual Percentage Change in SSI/SSP Caseload and California Population 1993-94 through 2003-04



\$1,156 to \$1,244 for aged and disabled couples, which represents an increase of 11.1 percent and 7.6 percent, respectively, over the period from January 1999 through January 2004.

The SSI/SSP program budget also reflects a reduction of \$95.3 million General Fund due to the proposed realignment of the Cash Assistance Program for Immigrants (see Preserving Critical Programs section).

**Caseload Trends**—The caseload in this program is estimated to be 1.1 million recipients in 2003-04, a 0.7 percent increase over the 2002-03 projected level. Figure HHS-24 compares the annual percentage change in California's SSI/SSP caseload and California's population. Except for caseload decreases associated with federal eligibility changes in the mid-1990s, the caseload has grown faster than the general population throughout the 1990s. In 2000-01 and 2001-02, SSI/SSP caseload and population grew at equal rates, and in 2002-03, it is projected that SSI/SSP caseload will grow at a higher rate compared to growth in the general population. However, for 2003-04, caseload is projected to grow at a lower rate, primarily because fewer people will be eligible for the programs due to the grant reduction. The SSI/SSP caseload consists of 30 percent aged, 2 percent blind, and 68 percent disabled persons.

### In-Home Supportive Services

The In-Home Supportive Services (IHSS) program provides support services, such as house cleaning, transportation, personal care services, and respite care to eligible,

low-income aged, blind, and disabled persons. These services are provided in an effort to allow individuals to remain safely in their homes and prevent premature institutionalization.

**IHSS Provider Rate Increases**—The revised 2002-03 Governor's Budget includes \$2.8 million General Fund to provide an average 16 percent increase in the current Maximum Allowable Contract Rates (MACRs) for that mode of service delivery, effective July 2002. The MACR increases are necessary to establish parity between the contract rates and Public Authority (PA) IHSS provider rates. In addition, the revised 2002-03 Governor's Budget includes \$20.5 million General Fund to provide funding for a \$1 per hour increase in the maximum rate in which the State shares the PA IHSS provider wage and benefit costs. This increase, required by current law, has raised the State share of PA wages and benefits from \$9.10 per hour to \$10.10 per hour.

**Realignment**—The Budget reflects counties assuming responsibility for 100 percent of the nonfederal IHSS program costs beginning in 2003-04, with the provision of a dedicated revenue stream. (See Preserving Critical Programs section.)

### Community Care Licensing

The Community Care Licensing program directly licenses and monitors approximately 74,000 community care facilities, and provides oversight, direction, and training to counties that license approximately 14,000 additional facilities. These non-medical facilities, which include child day care



facilities, children's residential facilities, and elderly residential and day support facilities, serve approximately 1.4 million clients. The Governor's Budget proposes \$115.7 million (\$37.5 million General Fund) for licensing activities that promote the health, safety, and quality of life of each person in community care facilities. This is a \$10.5 million (\$7.6 million General Fund), or 8.3 percent, decrease from the 2002 Budget Act.

**Targeted Annual Reviews**—The Governor's Budget includes savings of \$7.6 million (\$5.8 million General Fund) and the elimination of 62 positions resulting from streamlining the annual review of licensed care facilities. Current State law requires an annual inspection of adoption agencies, community treatment facilities, foster family and small family homes, group homes, foster family agencies, transitional housing placement programs, adult residential facilities, and residential care facilities for the chronically ill and elderly. The Administration proposes to streamline the annual review process by prioritizing evaluations of high-risk facilities.

This streamlining of inspections and evaluations would allow resources to be focused on facilities in which health and safety may be at greatest risk. This proposal would not affect other visits that are currently conducted for licensed care facilities, including pre-licensing inspections, visits within the statutory timeframe following licensure, and whenever facility-related complaints are filed. This proposal was included in the December 2002 Mid-Year Spending Reduction Proposals.

**Fee Schedule Adjustment**—Current State law prescribes a fee schedule for most types of licensed facilities. Through this existing licensing fee structure, the DSS expects to collect approximately \$9.5 million in the current year. Of this, approximately \$6.9 million will be directed to the General Fund to offset DSS licensing costs, and \$2.6 million will be used to provide technical assistance and training to licensed community care providers. The Governor's Budget proposes to increase fees for licensed facilities, resulting in increased General Fund revenues of \$6.8 million. Specifically, this proposal would double the fees for licensed child care facilities, assess a \$45 fee on foster family agencies for each certified family home that the agencies oversee, and increase fees by 25 percent for all other licensed child residential, adult care, and senior care facilities. This proposal would not affect the amount of fee revenue that is currently used to provide technical assistance and training to licensed community care providers.

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## Adoptions

### **Independent Adoption Program (IAP)**

**Elimination**—In order to protect other vital programs, the Administration proposes legislation to eliminate the IAP in 2003-04 for a General Fund savings of \$2.8 million and a reduction of 40 positions in the DSS. This legislation will be proposed for adoption during the First Extraordinary Session of the Legislature. The proposal assumes that no new applications will be accepted after March 31, 2003.



The IAP provides adoption services to birth parents and adoptive parents when both agree on placement. It is estimated that approximately 655 placements will be completed in 2002-03. Services similar to the ones provided under the IAP are available through private adoption agencies. In addition, the Governor's Budget includes \$65.1 million (\$34 million General Fund) for the Relinquishment Adoptions Program to facilitate the adoption of children in foster care.

### **Programs Proposed for State-Local Realignment**

The 2003-04 Governor's Budget proposes to realign a number of social services programs to the counties, and provide a dedicated revenue stream for counties to assume their new program responsibilities. (See Preserving Critical Programs section.) The programs within the Department of Social Services to be realigned and associated General Fund savings are as follows:

**In-Home Supportive Services**—\$1.2 billion General Fund savings as a result of realigning 100 percent of the nonfederal IHSS program costs to counties. The IHSS program provides support services, such as house cleaning, transportation, personal care services, and respite care to eligible, low-income aged, blind, and disabled persons. These services are provided in an effort to allow individuals to remain safely in their homes and prevent premature institutionalization. The average monthly IHSS caseload is projected at 321,000 in 2003-04.

**Cash Assistance Program for Immigrants (CAPI)**—\$95.3 million General Fund savings as a result of realigning the CAPI to

counties. CAPI is a cash-benefit program for legal immigrants who are ineligible for the SSI/SSP program due to their immigration status. The 2003-04 average monthly caseload in this program is projected to be 11,000 recipients.

**Food Assistance Programs**—\$282.6 million General Fund savings by realigning the Food Assistance Programs to counties. The total savings includes \$268.1 million from shifting the State share of administration of the federal Food Stamp program, and \$14.5 million from realignment of the California Food Assistance Program (CFAP). The Food Stamp program provides monthly benefits that assist low-income households in purchasing the food they need to maintain adequate nutritional levels. The CFAP provides similar assistance to documented persons who are not eligible for the federal program solely because of their immigration status. In 2003-04, approximately 1.9 million persons are expected to receive food assistance benefits from these programs each month.

**Adult Protective Services (APS)**—\$60.8 million General Fund savings by shifting the APS program responsibility to counties. The APS is currently a county-administered program that investigates abuse, neglect, and exploitation of elderly or dependent adults. The 2003-04 average monthly caseload in this program is projected to be 14,000 cases.

**Child Abuse Prevention, Intervention, and Treatment (CAPIT)**—\$13.4 million General Fund savings as a result of shifting the CAPIT program to counties. This program provides prevention and intervention services for children at risk of abuse or neglect.



**Foster Care**—\$494.2 million General Fund savings resulting from the realignment of the Foster Care program to counties. The total savings includes \$34.1 million from shifting the State share of administration of the program, and \$460.1 million from realigning the State share-of-cost for grant payments. The 2003-04 average monthly caseload in the Foster Care program is projected to be 75,000 recipients.

**Child Welfare Services (CWS)**—\$596.3 million General Fund savings from realigning the CWS program to counties. The CWS program provides a variety of emergency, in-home care services for abused and neglected children and their families, including child protective services. The 2003-04 average monthly caseload in the CWS is projected to be 171,000 cases.

**Adoption Assistance Program (AAP)**—\$217 million General Fund savings from shifting the AAP to counties. This program provides financial assistance to families adopting children with special needs, who otherwise would remain in foster care. The 2003-04 average monthly caseload in the AAP is projected to be 61,000 recipients.

**CalWORKs**—\$543.7 million General Fund savings from implementing a 50 percent county share-of-cost in CalWORKs Employment Services and Administration. CalWORKs provides temporary cash assistance, employment services, and child care to needy families to assist them in moving off cash aid. It is projected that the average monthly caseload in the CalWORKs program would be 514,000 recipients in 2003-04.

**Kinship Guardianship Assistance Payment Program (Kin-GAP)**—\$18.6 million General Fund savings as a result of shifting Kin-GAP to counties. The Kin-GAP program provides foster care grants to relative caregivers who assume guardianship of foster children. The 2003-04 average monthly caseload in this program is projected to be 16,000 recipients.

## Health and Human Services Agency Data Center

The Health and Human Services Agency Data Center (HHSDC), one of the State's three consolidated data centers, provides electronic data processing (EDP) capacity to the Agency's various departments by using shared, centralized resources to minimize equipment and staff duplication. The central processors and peripheral equipment operate 24 hours a day, 7 days a week. Telecommunications network and software support services also are provided. The HHSDC assists the Agency in identifying potential EDP-related applications and recommending policies on the appropriate use of EDP among client departments. Special project management activities are performed on behalf of the Department of Social Services (DSS). The HHSDC costs are reimbursed by service users.

The Governor's Budget proposes \$331.9 million and 478 personnel years to carry out the HHSDC's programs in 2003-04. For the HHSDC's primary facility operations, the Governor's Budget includes a net reduction of \$15.4 million in HHSDC Revolving Fund authority. For the special





projects managed by the HHSDC for the DSS, the Governor's Budget proposes a net increase in expenditure authority of \$40.3 million above the 2002 Budget Act.

## Facility Operations

### Hotspot Operational Recovery Program—

The Governor's Budget includes \$1.2 million HHSDC Revolving Fund authority to provide emergency backup operational facilities for the Employment Development Department's Unemployment Insurance, Tax Program, and Disability Insurance systems and the Department of Developmental Services' California Developmental Disabilities Information System.

## Automation Projects

The HHSDC manages five major automation projects for the DSS. These systems assist in the administration of the CalWORKs, Food Stamps, Child Welfare Services, and In-Home Supportive Services programs, and further the Administration's goal of providing quality services as efficiently as possible while preventing fraud and reducing long-term costs. The Governor's Budget includes \$338 million (\$121.1 million General Fund) to continue to develop, maintain, and operate these projects.

### Statewide Automated Welfare System—

The Statewide Automated Welfare System (SAWS) automates welfare eligibility processes and administrative functions for the CalWORKs, Food Stamp, Medi-Cal, Foster Care, Refugee, and County Medical Services programs through the development of the following four separate systems:

- ◆ **Interim SAWS**—This consortium is comprised of 35 counties. The Governor's Budget includes \$35.2 million (\$12.8 million General Fund) for maintenance and operations activities. This represents a net decrease of \$1.3 million (a reduction of \$2.3 million General Fund and an increase of \$1 million in other funds) compared to the 2002 Budget Act, due to decreased maintenance and operations costs.
- ◆ **Welfare Client Data System**—The Governor's Budget includes \$93 million (\$30.6 million General Fund) to continue the implementation of this system in 18 counties. This represents an increase of \$10.9 million (\$4.7 million General Fund) to provide funding for a pilot program and for increased maintenance and operations costs. The proposed funding level reflects cost avoidance of \$22.7 million (\$6.5 million General Fund), and would delay project completion by one year.
- ◆ **Los Angeles Eligibility, Automated Determination, Evaluation, and Reporting (LEADER) System**—The Governor's Budget includes \$26.8 million (\$9.7 million General Fund) for maintenance and operation of this single-county system. This represents an increase of \$7.9 million (\$2.9 million General Fund) above the 2002 Budget Act, due to increased baseline maintenance and operations costs.
- ◆ **Consortium IV**—The Governor's Budget includes \$54.1 million (\$13.5 million General Fund) to continue implementation of this system in



the remaining four counties. The proposed funding level represents a decrease of \$1.4 million (\$350,000 General Fund), and would result in the delay of the project for one year for total cost avoidance of \$33.6 million (\$8.4 million General Fund).

- ◆ **Welfare Data Tracking Implementation Project (WDTIP)**—The SAWS WDTIP allows the four consortia to share CalWORKs time-limit tracking data. The Governor's Budget includes \$7.1 million federal funds for the WDTIP. This represents an increase of \$274,000 to comply with the current implementation schedule for the project. In addition, the revised 2002-03 Governor's Budget includes a reduction of \$3 million federal funds due to the delay of the implementation of LEADER.

**Child Welfare Services/Case Management System**—This system automates tracking and reporting information for the CWS, Foster Care, and Adoptions programs. The CWS/Case Management System (CMS), which is fully operational in all 58 counties, assists in the effective administration of the CWS program by enabling social workers to make better decisions for neglected and abused children, allowing social workers to spend more time providing services to clients rather than doing paperwork, and improving statewide information sharing. It also provides counties with better program management information, facilitates compliance with federal reporting requirements, and provides statewide statistical information.

The Governor's Budget includes \$121 million (\$60 million General Fund) for contract-related costs for system maintenance and operations to continue these services. Overall, proposed CWS/CMS maintenance and operations funding for 2003-04 is \$38.1 million (\$19.1 million General Fund) above the 2002 Budget Act. This increase is necessary to fund system resource usage that exceeds the contractual baseline and one-time costs related to workstation replacement, workstation software, and upgrades to workstation operating systems.

The Governor's Budget also includes an increase of \$5.3 million (\$2.7 million General Fund) to proceed with activities necessary to design, develop, and implement the expanded adoptions subsystem for the CWS/CMS to meet federal guidelines.

**Statewide Fingerprint Imaging System (SFIS)**—The SFIS is a database system that detects and reduces multiple-case fraud in the CalWORKs and Food Stamp programs. The Governor's Budget includes \$10 million General Fund for maintenance and operations activities. This represents a reduction of \$731,000 in the current and budget years, due to the shift of system operation costs to counties.

**Electronic Benefit Transfer**—The Electronic Benefit Transfer (EBT) system will deliver public assistance benefits to eligible recipients through electronic funds transfer, automated teller machines (ATM), and point-of-sale terminals in retail outlets. Counties are statutorily required to use the EBT system to deliver food stamp benefits, and are also permitted to use the EBT system to deliver CalWORKs benefits. When



operational, food stamp and CalWORKs recipients will be able to access their benefits via ATM-like cards, in lieu of monthly checks or food stamp coupons. The Governor's Budget includes \$61 million (\$19.2 million General Fund) to continue statewide implementation. This represents an increase of \$4.2 million (\$161,000 million General Fund) above the 2002 Budget Act.

Federal law requires states to implement an EBT system to deliver food stamp benefits by October 1, 2002. California, however, has received a 41-month extension for EBT implementation.

**Case Management, Information, and Payrolling System (CMIPS)**—The CMIPS (1) processes eligibility determinations of IHSS applicants, (2) provides case management services for recipients, (3) calculates IHSS authorized service hours and issues notices of action to recipients for any change in that service level, (4) provides payroll services for individual providers

including income tax and other payroll taxes, (5) audits invoices for third-party contract providers, and (6) produces reports for program management. The Governor's Budget proposes \$1.7 million (\$1 million General Fund) for contract reprourement activities, including an augmentation of \$769,000 (\$475,000 General Fund) to extend six limited-term positions for one year.

## California Children and Families Commission

The California Children and Families Commission (Commission), established by Proposition 10 in November 1998, is responsible for developing a statewide system of information and services to strengthen early childhood development from the prenatal stage to five years of age. Proposition 10 funds result in significant increases in baseline services because these continuously appropriated funds must supplement, not supplant, existing funds. In addition, the State Commission and county commissions working in collaboration may use Proposition 10 funds to leverage new federal funds.

The initiative, through its cigarette and other tobacco product taxes, is currently projected to generate \$607.5 million in 2002-03 and \$524.5 million in 2003-04. Proposition 10 includes provisions which replace the loss of Proposition 99 tobacco tax revenues for health education, research, and breast cancer programs due to the decreased consumption of tobacco products resulting from increased taxes pursuant to Proposition 10. The amounts replaced in 2002-03

FIGURE HHS-25

### California Children and Families Commission Estimated Proposition 10 Tobacco Tax Allocations (Dollars in Millions)

	2002-03	2003-04
Total revenues	\$607.5	\$524.5
Transfer from Enhanced State-Local Realignment Fund		\$62.0
Total revenues and transfers from other funds		\$586.5
Less:		
Board of Equalization tax collection costs	1.9	2.3
Proposition 99 and Breast Cancer funding offset	21.9	21.9
Net revenues	\$583.7	\$562.3
County Allocation (80 percent)	466.9	449.9
State Commission Allocation (20 percent)	116.7	112.5
Mass Media Communications (6 percent)	35.0	33.7
Education (5 percent)	29.2	28.1
Child Care (3 percent)	17.5	16.9
Research and Development (3 percent)	17.5	16.9
Unallocated (2 percent)	11.7	11.2
Administration (1 percent)	5.8	5.6



and 2003-04 total \$21.9 million each year. In 2003-04, the Commission will receive \$62 million to backfill the anticipated loss of revenue associated with the 2003-04 realignment proposal. Proposition 10 provides that 20 percent of funds remaining after the Proposition 99 replacement and tax collection cost are allocated to the State Commission for programs indicated in Figure HHS-25. The initiative also provides that the remaining 80 percent be allocated to county commissions for early childhood development programs including, but not limited to, health care, child care, education, domestic violence prevention, maternal nutrition, and child abuse prevention.

## Child Development Policy Advisory Committee

The Child Development Policy Advisory Committee is responsible for assisting the California Department of Education (CDE) in preparing the State plan for child development programs, and reviewing the effectiveness of child care and development programs and the need for children's services in California.

In developing the 2003-04 Governor's Budget, the Administration reviewed a variety of programs for potential restructuring or consolidation to improve the efficiency and effectiveness of State government and to protect other vital State programs. Consequently, the Administration proposes legislation to eliminate the Committee effective July 1, 2003, for ongoing savings of approximately \$625,000

(\$367,000 General Fund). Eliminating the Committee is consistent with the Administration's proposal to transfer CDE child-care programs to counties under Preserving Critical Programs.

## State-Local Realignment

To protect critical programs from General Fund reductions in light of the State's severe fiscal constraints, the Governor's Budget proposes \$8.3 billion in additional revenue for local governments in 2003-04 to complete the 1991 mental health program transfer and support the realignment of a number of programs in the areas of health and social services, and provide an alternative funding source for court security. First introduced in 1991, State-Local Program Realignment restructured the State-county partnership by shifting responsibility for various health and social services programs to counties and providing a dedicated revenue stream to pay for these changes.

The objectives of realignment are to assign program responsibility to the most appropriate level of government, either State or local, and achieve improved service levels with broad discretion given to the responsible entity. Realignment provides for greater funding stability for selected programs, increased local flexibility in administering these programs, and productive fiscal incentives to encourage cost-effective approaches to providing services.

For 2003-04, enhanced realignment revenues to be allocated to counties, the courts, and certain departments and funds are estimated to total \$8.3 billion and are the sum of three new revenue sources: (1) a 1 cent sales tax increase, (2) the creation of



**FIGURE HHS-26**

**1991-92 State-Local Realignment  
2001-02 Estimated Revenues and Expenditures  
(Dollars in Thousands)**

Amount	Mental Health	Health	Social Services	Totals
<b>Base Funding</b>				
Sales Tax Account	\$834,609	\$410,081	\$983,977	\$2,228,667
Vehicle License Fee Account	219,675	1,010,808	33,856	1,264,339
<b>Total Base</b>	<b>\$1,054,284</b>	<b>\$1,420,889</b>	<b>\$1,017,833</b>	<b>\$3,493,006</b>
<b>Growth Funding</b>				
Sales Tax Growth Account:				
Caseload Subaccount	—	—	—	—
County Medical Services Subaccount	—	—	—	—
General Growth Subaccount	—	—	—	—
Vehicle License Fee Growth Account	28,772	44,821	5,246	\$78,839
<b>Total Growth</b>	<b>\$28,772</b>	<b>\$44,821</b>	<b>\$5,246</b>	<b>\$78,839</b>
<b>Total 1991-92 Realignment<sup>1</sup></b>	<b>\$1,083,056</b>	<b>\$1,465,710</b>	<b>\$1,023,079</b>	<b>\$3,571,845</b>

<sup>1</sup> Excludes \$14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources. Includes \$585.1 million General Fund deemed to be vehicle license fee revenue per Chapter 322, Statutes of 1998, and \$283.1 million special funds deemed to be vehicle license fee revenue per Chapter 5, Statutes of 2001.

**FIGURE HHS-27**

**1991-92 State-Local Realignment  
2002-03 Estimated Revenues and Expenditures  
(Dollars in Thousands)**

Amount	Mental Health	Health	Social Services	Totals
<b>Base Funding</b>				
Sales Tax Account	\$820,568	\$403,181	\$967,422	\$2,191,171
Vehicle License Fee Account	248,446	1,055,629	39,101	1,343,176
<b>Total Base</b>	<b>\$1,069,014</b>	<b>\$1,458,810</b>	<b>\$1,006,523</b>	<b>\$3,534,347</b>
<b>Growth Funding</b>				
Sales Tax Growth Account:				
County Medical Services Subaccount	—	—	—	—
General Growth Subaccount	—	—	—	—
Vehicle License Fee Growth Account	17,338	27,009	3,161	\$47,508
<b>Total Growth</b>	<b>\$17,338</b>	<b>\$27,009</b>	<b>\$3,161</b>	<b>\$47,508</b>
<b>Total 1991-92 Realignment<sup>1</sup></b>	<b>\$1,086,352</b>	<b>\$1,485,819</b>	<b>\$1,009,684</b>	<b>\$3,581,855</b>

<sup>1</sup> Excludes \$14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources. Includes \$936.7 million General Fund deemed to be vehicle license fee revenue, per Chapter 322, Statutes of 1998.

**FIGURE HHS-28**

**1991-92 State-Local Realignment  
2003-04 Estimated Revenues and Expenditures  
(Dollars in Thousands)**

Amount	Mental Health	Health	Social Services	Totals
<b>Base Funding</b>				
Sales Tax Account	\$820,568	\$403,181	\$967,422	\$2,191,171
Vehicle License Fee Account	265,784	1,082,638	42,262	1,390,684
<b>Total Base</b>	<b>\$1,086,352</b>	<b>\$1,485,819</b>	<b>\$1,009,684</b>	<b>\$3,581,855</b>
<b>Growth Funding</b>				
Sales Tax Growth Account:				
Caseload Subaccount	—	—	111,682	111,682
County Medical Services Subaccount	—	—	(111,682)	(111,682)
General Growth Subaccount	—	—	—	—
Vehicle License Fee Growth Account	8,718	13,581	1,590	\$23,889
<b>Total Growth</b>	<b>\$8,718</b>	<b>\$13,581</b>	<b>\$113,272</b>	<b>\$135,571</b>
<b>Total 1991-92 Realignment<sup>1</sup></b>	<b>\$1,095,070</b>	<b>\$1,499,400</b>	<b>\$1,122,956</b>	<b>\$3,717,426</b>

<sup>1</sup> Excludes \$14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources. Includes \$952.9 million General Fund deemed to be vehicle license fee revenue, per Chapter 322, Statutes of 1998.

10 percent and 11 percent Personal Income Tax brackets, and (3) a Cigarette Tax increase of \$1.10 per package. The revenue proposals and the specific programs to be realigned are discussed in more detail in the Preserving Critical Programs section. Specific programs to be transferred are also identified within each department.

**1991 Realignment**—In 1991, State-Local Program Realignment gave counties increased responsibility and funding for several health, mental health, and social service programs. The 1991 Realignment also provided an ongoing revenue source for counties by establishing a new one-half cent sales tax and an increase in the motor vehicle license fee (VLF). The one-half cent sales tax is a dedicated funding stream for realignment. The amount of VLF revenue available for realignment is not affected by the 67.5 percent reduction in VLFs that resulted from Chapter 5, Statutes of 2001, because General Fund is provided to backfill these lost VLF revenues.

Revenues in 2002-03 for the 1991 Realignment are estimated to total \$3.6 billion, which represents an increase of \$10 million compared to 2001-02. The \$3.6 billion is comprised of \$2.2 billion in sales tax revenues and \$1.4 billion in VLF. The VLF amount includes \$936.7 million General Fund to backfill for lost VLF revenues, as discussed above. Because sales tax revenues are not projected to increase, there will be no growth funding available for distribution to the caseload account. As a result, the 2002-03 caseload will be funded from future growth in sales tax revenue pursuant to current State law. However, there will be \$47.5 million in VLF revenue





growth, which will be distributed to the County Medical Services Program (CMSP) and general growth accounts for allocation to counties.

For 2003-04, revenues for the 1991 Realignment are estimated to total \$3.7 billion, which represents an increase of \$135.6 million above 2002-03. The \$3.7 billion total includes \$2.3 billion in sales tax revenues and \$1.4 billion in VLF. Although the Governor's Budget proposes to eliminate the balance of the General Fund backfill for the VLF reduction, the portion of this backfill which supports Realignment will not be eliminated. As a result, the VLF amount includes \$952.9 million General Fund to backfill for lost VLF revenues. The \$135.6 million in sales tax and VLF revenue growth will be distributed to the caseload, CMSP, and general growth accounts for allocation to counties (see Figures HHS-26 through HHS-28).

## Department of Community Services and Development

The Department of Community Services and Development (DCSD) administers programs to assist low-income residents and communities of California. The DCSD provides grants to community-based organizations to administer programs providing low-income home energy assistance and various community services.

In developing the 2003-04 Governor's Budget, the Administration reviewed a variety of programs for potential restructur-

ing or consolidation to improve the efficiency and effectiveness of State government. Consequently, the Administration proposed legislation in December 2002 to consolidate the DCSD with the Department of Social Services (DSS), effective July 1, 2003. The consolidation would result in a shift of \$155.1 million and 113.2 positions to the DSS. In addition, 9.0 positions will be eliminated, and \$922,000 in federal funds will be shifted from State administration to local assistance for the Low-Income Home Energy Assistance Program and the Community Services Block Grant.

Given the State's current fiscal constraints, the Administration also proposes to eliminate the Naturalization Services and Mentoring Programs in 2003-04, which would result in a savings of \$8.9 million (\$3.9 million General Fund). These program eliminations were included in the December 2002 Mid-Year Spending Reduction Proposals. Programs operated by other State departments provide citizenship and mentoring services. The proposed Governor's Budget includes approximately \$22 million in federal funding for English language and citizenship instruction and over \$30 million for AmeriCorps program, a portion of which is used for tutoring and mentoring.



